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THE  
PRINCIPLES OF EQUITY:  
A  
TREATISE  
ON THE  
SYSTEM OF JUSTICE ADMINISTERED  
IN  
COURTS OF CHANCERY.

BY  
GEO. TUCKER BISPAM,  
LATE PROFESSOR OF EQUITY JURISPRUDENCE IN THE UNIVERSITY OF PENNSYLVANIA,  
WITH EXPANDED AND ADDED NOTES AND REFERENCES  
TO RECENT AUTHORITIES.

BY  
SHARSWOOD BRINTON,  
OF THE PHILADELPHIA BAR.

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EIGHTH EDITION.

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THE BANKS LAW PUBLISHING CO.  
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## PREFACE TO THE EIGHTH EDITION.

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THE present is the eighth edition of this masterly work and the first since the death of the author. Its preparation was undertaken by the editor with grave doubts as to his qualifications for such a task, but with the conviction that there was an eminent fitness that that duty should be performed by one who, for many years, had enjoyed the personal confidence and professional example of the author. In a very full sense the labors of the editor, in his present undertaking, have been inspired by a grateful appreciation of the value to him of those associations.

The death of the author is so recent that it has been thought wiser not to disturb the text as he left it, except only to correct certain obvious errors, chiefly of a clerical nature, which had inadvertently crept into the work. The notes, however, have been freely expanded, many new ones have been added (partly from material which the author had collected during his lifetime), and it is believed that the Principles of Equity Jurisprudence as they exist to-day will be found accurately stated in the text explained by the notes. While the author's practice of avoiding a superabundance of citations has been followed, yet care has been taken to include the most recent authorities, both English and American.

In the present, as in the seventh edition, the subjects of Trusts, Strikes, Boycotts, and Trade-Marks have received particular consideration.

The editor takes pleasure in acknowledging the invaluable assistance of Joseph D. McCoy, Esq., of the Philadelphia Bar, in every department of the work.

S. B.

July, 1909.





## PREFACE TO THE SEVENTH EDITION.

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IN the present edition of this book, references to cases have been brought down, as far as possible, to the date of going to press. In some few instances citations have been stricken out, where they seemed to be mere repetitions. Such changes, also, have been made in the text as were thought to be required by accuracy; and such additions thereto have likewise been made as were necessary to bring before the reader important and recent decisions, upon such subjects as Trusts (in the commercial sense), Trade Marks, Strikes, Boycotts, and other topics which have, of late, given rise to questions of great business importance and of great legal interest.

In preparing this edition for the press the writer is glad to acknowledge the efficient assistance of Alfred M. Mohr and Joseph D. McCoy, Esqs., of the Philadelphia Bar, and of Edgar H. Boles, Esq., of the Law Department of the University of Pennsylvania.

G. T. B.

January, 1905.



## PREFACE TO THE FIRST EDITION.

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DURING the past few years the growth of equity jurisprudence, both in a scientific and a practical aspect, has been very great.

The decisions of the courts, especially in England, have been marked by a freshness and a vigor which have infused new life into the whole body of chancery law, and have rendered it not only attractive to the student, but of immense usefulness in its application to the business affairs of men.

This practical usefulness has been extended by statute as well as by judicial decisions; and legislation upon this subject has, in England, culminated in the passage of the Supreme Court Judicature Act of 1873, by which it is provided that the principles of equity shall hereafter be adopted for the purposes of the administration of justice in all the courts.

To a certain extent the literature of this branch of the law has kept pace with the growth of the law itself. Treatises are constantly being produced in which particular subjects connected with the jurisprudence of courts of chancery are ably and elaborately discussed; and works upon Trusts, Injunctions, Fraud, Estoppels, and kindred topics, have multiplied in the libraries of the profession. Moreover, in England, efforts have been made to generalize the progress which the science of equity has been making; and several treatises, of a more or less comprehensive character, have been written in which the advances of the law in this great field of justice have been pointed out.

In the United States, however, scarcely any attempt has been made recently in this direction. The efforts of those members

of the profession who have the time and inclination to devote themselves to legal literature have been directed towards the production of treatises upon particular subjects, or to the annotation of existing standard commentaries. Hence, there seems to have arisen a want for some general work in which the development and present condition of equity jurisprudence should be expressed.

The present treatise is an attempt to supply this want. The effort has been to explain the modern doctrines of courts of equity, and to illustrate the manner in which they have been applied; and at the same time to exemplify and define the principles of equity as they have existed in the English law from the earliest times.

It will be seen, upon examination, that the general plan of the treatise is based upon the division suggested by Mr. Spence in his celebrated work upon the Jurisdiction of the Court of Chancery, viz., Equitable Titles, Equitable Rights, and Equitable Remedies; but that the arrangement of the subdivisions under these general heads is to a great extent original.

As the present book is designed for students as well as for practitioners, one great object has been to avoid a superabundance of citations upon the one hand, and upon the other any omission of authorities by which the doctrines stated in the text ought to be verified and illustrated.

It cannot be hoped that the proper mean between these two extremes has been always observed; but it is trusted that the authorities cited have been sufficiently numerous to give to the practitioner in every State the benefit of decisions of his own courts upon the subjects attempted to be explained, while, at the same time, care has been taken not to overcrowd the treatise with masses of authorities upon single points.

In citing particular decisions at any length, selections have generally been made from the modern reports, partly because

such volumes are usually within the convenient reach of almost every reader, and partly because in them (and particularly those which contain the decisions of the English equity judges of the present time) the doctrines sought to be explained have been most elaborately discussed, and their application most practically illustrated. For the same and other obvious reasons, the treatises upon particular subjects which have been referred to have almost invariably been those of writers of the present day.

It need hardly be said, however, that while for the purpose of presenting a view of equity jurisprudence as it now exists, modern treatises have been consulted and modern authorities cited, yet, at the same time, regard has been always had to the ancient decisions wherein the principles of equity have had their birth and their early development. Every writer, as well as every student, should always have in his recollection the advice of Sir EDWARD COKE, "that in reading any of these new reports he neglect not the reading of the old books of years reported in former ages, for assuredly out of the old fields must spring and grow the new corn."

G. T. B.

PHILADELPHIA, February, 1874.



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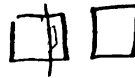
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# THE PRINCIPLES OF EQUITY.

## INTRODUCTION.

### CHAPTER I.

#### RISE AND PROGRESS OF THE HIGH COURT OF CHANCERY.

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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#### 1. Definition of Equity.

**EQUITY** is that system of justice which was administered by the High Court of Chancery in England in the exercise of its extraordinary jurisdiction.

This definition is rather suggestive than precise; and invites inquiry rather than answers it. But this must necessarily be so. Equity, in its technical and scientific legal sense, means neither natural justice nor even all that portion of natural justice which is susceptible of being judicially enforced. It has, when employed in the language of English law, a precise, definite and limited signification, and is used to denote a system of justice which was administered in a particular court—the nature and extent

of which system cannot be defined in a single sentence, but can be understood and explained only by studying the history of that court, and the principles upon which it acts. In order to begin to understand what equity is, it is necessary to understand what the English High Court of Chancery was, and how it came to exercise what is known as its extraordinary jurisdiction. Every true definition of equity must, therefore, be, to a greater or less extent, a history.<sup>1</sup> This history was, in a certain sense, rounded and completed by the passage of the "Supreme Court Judicature Act of 1873," and its amendments, whereby the judicial system of England has been recast, and the distinction between courts of equity and courts of law abolished.<sup>2</sup> By that act it was, in substance, provided that, after the second day of November, 1874, the administration of justice in all courts should be regulated by the principles of equity; and its passage, notwithstanding the many difficulties which arose in carrying it into practical effect, may be considered as the final triumph of those principles, after a struggle of many centuries' duration, and as a full recognition of their usefulness and wisdom.

## 2. Historical view important.

Nor is this historical character of the definition of equity any the less to be regarded in the United States than in England.

In the Federal Courts the limits of equitable jurisdiction are to be ascertained by reference to the boundaries within which the powers of the English Court of Chancery were exercised; and that this rule is of a practical, and not merely of a theoretical, importance is most strikingly illustrated by a comparatively recent decision of the Supreme Court.<sup>3</sup>

As to the State Courts, in some states of the Union the principles of equity are administered through the medium of com-

<sup>1</sup> So, also, the *Æquitas* of the Roman law can only be defined by tracing the history of that law. It is almost as incapable of definition in a single sentence as the English "equity," with which, by the by, it should not be confounded. See Maine's *Ancient Law*, chap. iii. The same author describes or defines Eng-

lish equity as "the jurisprudence of the Court of Chancery." *Id.* 44.

<sup>2</sup> 36 and 37 Vict. c. 66; L. R. 8 Stats. 306.

<sup>3</sup> *United States v. American Bell Telephone Co.*, 128 U. S. 315, and the opinion of Mr. Justice Miller on pp. 359-360-361.

mon-law or statutory forms;<sup>1</sup> in some, the common-law judges act also as chancellors; and in a third class courts of chancery (by that name) exist. All of these look for their guidance to the principles which were developed in the English Court of Chancery,<sup>2</sup> and the first inquiry of the student in this branch of law must always be directed to the origin and growth of that tribunal, and the character of the relief which it administered.

### 3. Early English Courts ; King's Councils.

To appreciate the nature of this equitable relief, and the reason why redress of this peculiar sort came to be afforded by the chancellor, we must look, for a moment, at the general system of English remedial law as it existed in early times.

According to the plan which was established after the Norman Conquest, the local tribunals which had existed under Edward the Confessor, and which consisted of the county, hundred, and borough courts, together with the manor courts and courts baron, were retained; but the supreme judicial (and, indeed, all other) authority was vested in the king, assisted by his councils.

These councils were two in number—the great council, afterwards called the parliament, and the small or ordinary council, which advised the king during the intervals between the sessions of the great council, but which appears to have formed part of the latter when in session.<sup>3</sup>

The great council was composed of the bishops, earls, and barons, and such knights as held of the king *in capite*. Its duties were perhaps as much judicial as legislative, and in both branches its action was advisory rather than potential.<sup>4</sup> The king, in fact perhaps, and certainly in theory, enacted laws and redressed particular grievances (of which complaints were made by petition) with the advice and assistance of the magnates of

<sup>1</sup> See *Pollard v. Shaffer*, 1 Dal. 213; *Jordan v. Cooper*, 3 S. & R. 585; *Church v. Ruland*, 64 Pa. 441.

<sup>2</sup> This guidance may be said to have been, in some instances, of a personal character. See remarks of Chief Justice Shippen in *Levy v. Bank of United States*, 1 Binn. 27, 37 (Story's *Eq. Jurisp.* § 130, note 1), as to

what he had heard Lord Hardwicke say.

<sup>3</sup> See 1 Spence *Eq.* 328, and notes.

<sup>4</sup> "Generally speaking, indeed, as regards all matters besides taxation, it was the *advice* even of the Lords rather than their *assent* that the king appears to have required." 1 Spence *Eq.* 266.

the realm; and although modern English legislation has departed widely from the ancient in substance, its theory is in this respect still the same, and statutes are still supposed to owe their existence to the will of the sovereign after taking the counsel of Parliament; that is, the sovereign is assumed (by the language of all acts of Parliament) to *enact* laws, the lords and commons consenting to the enactment.

It is unnecessary to trace the growth and powers of the great council. To it, indifferently with the smaller council, was formerly applied the name of *curia regis*—a term which was subsequently used to designate the latter council only, and the meaning of which was afterwards still further narrowed so as to apply to the Court of King's Bench alone.

#### 4. *Curia regis*; Exchequer; Common Pleas.

The ordinary council of the king was composed of such barons of the realm as were selected by him; certain officers of the palace, such as the constable, marshal, chamberlain and others; and to these were afterwards added persons learned in the law, who were styled *justiciarii*, together with others sometimes specially summoned by writ from the chancellor's office.<sup>1</sup>

This council was the great judicial centre of the kingdom, from which all justice emanated; not that the council had, as a body, in the early stage of its existence, the attributes of a court; but simply because the supreme authority, including the supreme judicial power, was vested therein.<sup>2</sup> The term *curia regis*, as applied to the council, was used in the sense of the royal residence or household, frequented by the nobles and magnates of the realm, where the king sometimes sat in person with the chief justiciary and chancellor, attending (among other things) to complaints of grievances, which were originally solely as to revenue.<sup>3</sup> The same term (*curia regis*) was applied to the county

<sup>1</sup> 1 Spence Eq. 329; 1 Foss's Judges, 10.

<sup>2</sup> "The *curia regis*," says Mr. Spence, speaking of the time of Glanville (A. D. 1179–1180), "can hardly yet be considered as designating a distinct judicial tribunal; *concilium* and *curia* are sometimes used as synonymous even by Bracton." 1 Spence Eq. 119, note c.

<sup>3</sup> 1 Reeves's Hist. of English Law, 85, Finlason's note; 1 Spence Eq. 102. Mr. Finlason's notes to Reeves have been very severely criticized (see a notice by Henrich Brunner, translated for the American Law Review of October, 1873, vol. viii., No. 1), but his conclusions upon this point seem to be sound. See also articles in Edinburgh Review, vol. 33, p. 11.



courts, but in a different sense, as they were the *king's courts* of justice.<sup>1</sup> The *curia regis*, or council, appears to have become in the reign of Henry I. the regular court of ultimate appeal from all the courts of ordinary jurisdiction.<sup>2</sup> Out of this royal court, or council, courts of justice (properly so-called) of original jurisdiction gradually arose, and their origin and manner of growth appear to have been briefly as follows:

The oldest court (in the strict sense of the term) whose existence can be distinctly traced is the Exchequer.<sup>3</sup> The Exchequer was originally only an *office*, ordained for matters of the king's revenue; and where, subsequently, two knights (or barons), two clerks, and two men learned in the law, were assigned to hear and determine these matters. The persons so assigned were styled Barons of the Exchequer, the term employed until a very recent date. In process of time common suits, *i. e.*, suits between subject and subject, came to be brought in the Exchequer, perhaps because it was felt that justice could be more impartially and learnedly administered by the Barons of the Exchequer than in the ordinary county courts.<sup>4</sup> Now, the court or household of the king was, it will be remembered, ambulatory; it accompanied the king in his journeys, and business, both legislative and judicial, was transacted at the different places where the court happened to be held. This, as is well known, was the occasion of great inconvenience so far as common suits or pleas were concerned, as the suitors were thus obliged to travel to different parts of the kingdom in order to obtain redress. Hence, the celebrated provision of Magna Charta enacted that common pleas should no longer follow the king, and hence the Court of Common Pleas arose as a distinct tribunal fixed by law at Westminster.

### 5. Court of King's Bench.

It has been already stated that the county courts, which

<sup>1</sup> 1 Reeves's Hist. Eng. Law, 84, and note.

<sup>2</sup> 1 Spence Eq. 107; 1 Foss's Hist. Judges, 9.

<sup>3</sup> Edinburgh Review, vol. 33, page 11; notes to Reeves's Hist. Eng. Law, vol. 1, page 85 (Finlason).

<sup>4</sup> See article in Edinburgh Review, vol. 33, page 12. The limits of the jurisdiction of the different courts

were not, in early times, defined with very great precision. Thus the Court of Exchequer exercised jurisdiction as a court of equity, principally, however, in cases of tithes. But this jurisdiction never attained any great importance, and was finally, by Stat. 5, Vic. c. 5, § 1, transferred to the Court of Chancery. Mitford's Pleading, 6.

were of criminal as well as civil jurisdiction, were retained after the Conquest, owing to the popularity of these tribunals, and to the tenacity with which people clung to their old institutions.<sup>1</sup> These somewhat tumultuous courts (or assemblies, as they might more properly be called) were under the presidency of the sheriff, who was appointed by the king. In order to insure a proper administration of the law, and to increase the royal influence, it became customary to appoint the sheriffs from the justices attached to the king's household, or *curia regis*;<sup>2</sup> and sometimes men learned in the law were sent down by special commission to hold these courts. It thus came to pass that itinerant justices went down from the *curia regis* to the counties, and there held the county courts. But one step more was necessary to constitute a distinct tribunal of general jurisdiction, namely, that before the judge went down to try the cause, the exact matters in dispute should be settled and the questions of law separated and determined. Hence the king's justices who met for this purpose, and who were afterwards dispatched into the different counties, to preside over the trial of the issues thus made up, came to constitute a distinct tribunal, the King's Bench. To this tribunal, also, the name of *curia regis* has been applied.<sup>3</sup> This result was probably brought about by Glanville, in the reign of Henry II.<sup>4</sup> In this way the *curia regis*, as it were, drew to itself and absorbed the jurisdiction of the county courts;<sup>5</sup> and the vast increase of business, consequent upon this change, although not the *origin* of the Court of King's Bench, was one of the *reasons* for its distinct and separate existence.

To return to the ordinary council, or household of the king. The council accompanied the king in his movements; and writs for the redress of grievances were made returnable—*i. e.*, the cause was to be heard—before the king wherever he should be in England.

Over the ordinary council, a great officer of state, the chief justiciary of all England, presided. His position in the realm was next in rank to that of the sovereign; and in the absence of the latter from the kingdom, the chief justiciary acted as

<sup>1</sup> 1 Reeves's Hist. Eng. Law, Finlason's Notes, 80.

<sup>2</sup> 1 Reeves's Hist. Eng. Law, 80; see also 1 Foss's Judges of England, 171, 189, 377.

<sup>3</sup> See 1 Reeves's Hist. Eng. Law, Finlason's notes 80, 89.

<sup>4</sup> Id.

<sup>5</sup> 1 Foss's Judges, 171.

regent. This great office was discontinued in the reign of Henry III.<sup>1</sup>

## 6. Position of the Chancellor.

The chancellor was the secretary of the king,<sup>2</sup> and probably acted as the secretary of the council. From his office (the chancery) issued the writs which authorized suitors to bring their complaints before the king's courts. For, in the ordinary administration of justice, no action could be brought in the king's court except such as concerned the king—the remedy between subject and subject being in the county and hundred courts. When, however, dissatisfaction came to be felt at the decisions of the local courts, the parties began to apply to the king's court, and obtained from the chancellor's department (the *officina brevium*), a writ applicable to their cases, and for which a fine was originally paid.<sup>3</sup> This payment having become an instrument of injustice, the Great Charter put a stop to it by providing that justice should no longer be denied or sold.

As the council still retained its general supreme authority, applications for relief were frequently made to that body when redress could not be otherwise obtained. In considering such applications, the advice of the chancellor would naturally be followed, as he was the king's secretary, was the keeper of his conscience (to which the petitions were addressed), and attended his person. The chancellor, moreover, was generally an ecclesiastic; and to churchmen, in those days, the learning of the civil law, to which the common law is so much indebted,<sup>4</sup> was principally confined. Besides, as from one branch of the chancellor's department issued the writs by which injuries were ordinarily redressed, he would naturally be the most proper person to determine whether the case presented was one which would fall within the forms already in use, or which would call for the exercise of the extraordinary jurisdiction still held in reserve. In some cases, therefore, the answer to petitioners was, that they should have a writ out of chancery—in other words, they

<sup>1</sup> 1 Foss's Judges 11.

<sup>2</sup> Id. 13.

<sup>3</sup> Park's Hist. Chan. 25; Fleta, Lib. 2, cap. 13; 4 Inst. 78; Story's Eq. Jurisp., § 39. The Norman government would be likely to encourage

such applications, in order to do away with the local courts, which were of Saxon origin.

<sup>4</sup> See Bracton and his Relation to the Roman Law, by Guterbock, Cox's Translation.

were sent to the King's Bench, or Common Pleas; in others, the Court of Exchequer was pointed out as the tribunal in which the cause would properly be cognizable; while in still a third, the suitor would obtain relief (through the hands of the chancellor) directly from the council in the exercise of its extraordinary jurisdiction.<sup>1</sup>

### 7. Origin of Chancellor's Extraordinary Jurisdiction.

Of course, if the Courts of King's Bench, Common Pleas, and Exchequer had been able and willing to redress every imaginable wrong, the reserve jurisdiction of the council never would have been called into play, and the Court of Chancery never would have grown into being. But the jurisdiction of each of the common-law courts was circumscribed. Certain precise and rigid forms of action existed, which were supposed to effectually carry out the great maxim of justice, *ubi jus ibi remedium*, but which in point of fact were not sufficiently comprehensive to do so. No common-law writ, for example, existed by which a defective instrument could be reformed, a fraudulent conveyance set aside, a mistake or accident effectually relieved against, or a beneficial interest in property be enforced as against the holder of a legal title. Hence many injuries must necessarily and actually did exist, for which the common-law courts furnished no appropriate redress; and therefore it was that, finding no relief in the King's Bench or Common Pleas, the suitor was compelled to throw himself upon the grace and compassion of the king and council.

Two or three circumstances, moreover, concurred to render this extraordinary jurisdiction liable to increase: first, the tendency of the common-law rules to hardness and rigidity by reason of the deference paid to precedents; secondly, the refusal of the common law to adopt that part of the Roman law which may be called equitable, as distinguished from that which is merely *stricti juris*; <sup>2</sup> and, finally, the desire to increase the dignity and importance of the office of chancellor, which grew to great proportions after the abolition of the office of Chief Justiciary, whereby an ambitious holder of the great seal would naturally be led to give redress by virtue of his extraordinary

<sup>1</sup> 1 Spence Eq. 330. See also *Rex v. Hare*, 1 Str. Rep. 151; *Story's Eq. Jurisp.*, §§ 43, 49.

<sup>2</sup> 1 Spence Eq. 206, 346, 347.

jurisdiction, rather than by directing a writ to be issued to bring the cause before the ordinary tribunals.

Another advantage, also, which the relief administered by the chancellor had over that obtained in the common-law courts, and which therefore tended to enlarge the exercise of the jurisdiction of the former, was this: A judgment at law was either simply for the plaintiff or simply for the defendant. There could be no qualifications or modifications of the judgment. But such a judgment does not always touch the true justice of the cause or put the parties in the position which they ought to occupy. While the plaintiff may be entitled, in a given case, to general relief, there may be some duty connected with the subject of litigation which he owes to the defendant, the performance of which, equally with the fulfilment of *his* duty by the defendant, ought, in a perfect system of remedial law, to be exacted. This result was attained by the *decree* of a court of equity, which could be so framed and moulded, or the execution of which could be so controlled and suspended, that the relative duties and rights of the parties could be secured and enforced. This capacity of moulding a decree to suit the exact exigencies of a particular case is indeed one of the most striking advantages which procedure in chancery enjoys over that at common law, and must have been one of the elements which contributed in no small degree to the origin and growth of equitable jurisprudence.<sup>1</sup>

It was, most probably, to mitigate the rigors of the common-law courts, and at the same time to check the growing jurisdiction of the chancellor, that the famous statute of Westminster II. (13 Ed. I., c. 24) was passed, authorizing the issuing of writs in *consimili casu*. The inability or the unwillingness of the chancery clerks to avail themselves of the provisions of the statute, to any considerable extent, prevented the common-law courts from extending their jurisdiction so as to cover the whole field of remedial justice, and still rendered it necessary for the suitor to apply elsewhere for extraordinary relief.<sup>2</sup> This extraordinary relief, whereby redress was given to those who were without remedy in the ordinary courts of the realm, was at first administered by the council upon petition addressed to

<sup>1</sup> See Story's Eq. Jurisp., § 27; Mitford's Pleading 3, 4.

<sup>2</sup> It is difficult to imagine, however, to what extent the jurisdiction of the chancellor would have gone if action on the case had never been invented.

them. Applications of this nature were, in fact, invocations upon that reserve force of justice which still resided in the *curia regis*, ready, when occasion required, to be called into play. Its exercise was of favor, not of right; and hence those matters in which it was displayed were called emphatically "matters to be granted as of grace."

When exactly it was that these applications came to be made to, and the redress consequent thereupon came to be afforded by, the chancellor alone, is an historical question involved in some doubt. Certain it is, that as early as the reign of Edward I. an ordinance was issued for the purpose of relieving the king from the business of attending to petitions addressed directly to him, whereby it was provided that "all petitions touching the seal do come first before the chancellor;" and (providing, as it were, for an appeal to the king in great cases), "if the demands be so great and so much of grace that the chancellor and those others cannot do without the king, then they shall bring them before the king to know his will."<sup>1</sup>

A more direct recognition of the chancellor as the proper person by whom the extraordinary jurisdiction in *matters of grace* was to be administered, is contained in a writ of Edward III. addressed to the sheriffs of London, whereby suitors are specifically enjoined to prosecute those affairs which are of grace before the chancellor, or the keeper of the privy seal.<sup>2</sup> In this reign the Court of Chancery ceased to follow the king.<sup>3</sup>

The natural consequences of these efforts on the part of the king to delegate this branch of judicial authority to the chancellor, would be that petitions for relief would come in time to be addressed directly to that officer. This result, in fact, shortly followed, and in the reign of Richard II. the practice of pre-

<sup>1</sup> Haynes's Outlines of Equity, 40; Story's Equity Jurisp., § 44.

<sup>2</sup> Haynes's Eq. 44. In the same reign the jurisdiction of the court in matters *other* than those of conscience became of great importance. It included pleas of *scire facias* for repeal of letters patent; of petition of right and *monstrans de droit*; traverse of offices, and some others. 1 Spence Eq. 336. This jurisdiction has been

long supposed to have been at common law; but the recent publication of the Year Books of the reign of Edw. III. (ed. of Luke Owen Pike) shows this to be erroneous. The jurisdiction by *scire facias*, etc., was *not* at common law. Year Book 12 & 13 Edw. III., by Pike; Introduction, ci. *et seq.*, and cvi. *et seq.*

<sup>3</sup> 1 Spence Eq. 340.

senting a petition to the chancellor in the first instance was firmly established.<sup>1</sup>

### 8. Cases in which Chancellor's Extraordinary Jurisdiction was exercised.

The general ground for equitable relief was then, as it professes to be now, either the failure of the common-law courts to recognize a right, or their inability to enforce it.

Among the most frequent instances in which this general doctrine of equitable relief was applied were those in which petitions were addressed to the chancellor in cases of assault and trespass and a variety of outrages which were cognizable at common law, but for which "*the petitioner was unable to obtain redress owing to the position or powerful connections of his adversary.*"<sup>2</sup>

While, with the changed condition of society, the state of things which gave rise to and required this interference on the part of the chancellors has long ago passed away, and the jurisdiction itself has therefore fallen to the ground, it is still useful to recur to it, in order to show the theory upon which courts of equity have always acted from the earliest times, namely, the desire to supply deficiencies, no matter for what cause, in purely legal remedies.

Another class of cases in which the extraordinary interposition of the chancellor was called for was that of *trusts*, which was the term used when the legal title of property was held by one man, upon the confidence that another should have the right to its beneficial enjoyment. The origin and progress of trusts will be more particularly noticed hereafter. They were emphatically "matters of conscience," and, therefore, fell strictly within the scope of the chancellor's extraordinary jurisdiction.<sup>3</sup>

<sup>1</sup> A small fragment of equity jurisdiction had, as has been already stated, drifted into the Court of Exchequer, where it remained until Stat. 5 Vict. c. 5, § 1. See *ante*, page 5, note 4.

<sup>2</sup> See Prospectus of the Selden Society (founded in 1887 for the purpose of publishing ancient judicial MSS.); also, *Goddard v. Ingepenne*, 1

Chan. Cal. viii.; *Thomas v. Wyse*, Id. xiv.; *Belle v. Savage*, Id. xiv; *Royall v. Garter*, Id. cxxx.

<sup>3</sup> The following case from the Year Book of 4 Henry VII., Hilary Term, pp. 4, 5, may be noted here:—

A subpoena in Chancery was sued for this. There were two executors, and one without the consent of his companion released to a man who was

Besides these two classes of cases, many others existed in which the chancellor interfered.

The following instances, taken from the Chancery Calendar, may be cited as illustrative of the nature and extent of the extraordinary jurisdiction of the High Court of Chancery during the period which extended from the termination of the reign of Edward III. to the reign of Henry VIII. Specific performance of a contract;<sup>1</sup> specific delivery of a ship and cargo wrongfully detained;<sup>2</sup> delivery for cancellation of documents obtained by force;<sup>3</sup> relief against a forged power of attorney;<sup>4</sup> injunction to restrain a nuisance, said nuisance being a stoppage of a water course;<sup>5</sup> for an injunction to stay proceedings at law;<sup>6</sup> to recover deeds and other evidence unjustly retained by the defendant in his possession;<sup>7</sup> for permission to go on with a suit at law from which the plaintiff had been restrained by an injunction;<sup>8</sup> because the plaintiff is disturbed in his manor by the defendant falsely claiming an annuity charged on the land;<sup>9</sup> to restrain a defendant from the use of witchcraft;<sup>10</sup> to assign dower to a

indebted to their testator; and it was surmised that for this cause the will of their testator could not be performed, and a subpoena was sued against the executor, who released, and the man to whom the release was made, etc.

*Fineux* said that this was not remediable; for each executor had entire power by himself (*a par luy*), and one can do all that his companion can do, and so the release made by him is good.

*Chancellor*: No man may leave the Court of Chancery without a remedy, and it is against reason that one executor should have all the goods and make a release alone.

*Fineux*: Sir, if no one may leave without a remedy, then no one need go to confession; but, sir, the law of the land is for many things, and many things are to be sued here which are not remediable at common law, and a considerable number are *in conscience between a man and his confessor*, and so is this thing, etc.

The Chancellor replied (*inter alia*): To make a remedy for such thing is well done *according to conscience*.

<sup>1</sup> *Kymburley v. Goldsmith*, Ch. Cal. xx.

<sup>2</sup> *Bonodyn v. Arundell*, Ch. Cal. xxxviii. This appears to have been by virtue of the former jurisdiction of the chancellor in admiralty, long since obsolete. See 1 Spence Eq. 703.

<sup>3</sup> *Pickering v. Tongue*, Chan. Cal. xlv.; *Lord Berkley v. The Countess of Shrewsbury*, Id. lxxvi.; *Brown v. Lord Say's Widow*, Id. xlvii.

<sup>4</sup> *Bief v. Dyer*, Id. xi.

<sup>5</sup> *The Burgesses of East Retford v. Thomas de Hercy*, Id. ix and x.

<sup>6</sup> *Astel v. Causton*, Id. cviii.; *Edyall v. Hunston*, Id. cxiii.; *Peverell v. Huse*, cxvii.

<sup>7</sup> *Thomas Reed and Emma, his wife, v. The Prior of Launceston*, Id. cxiv.

<sup>8</sup> *Royall v. Garter*, Id. cxxx.

<sup>9</sup> *Hauley v. Tresilian*, Chan. Cal. iii., iv.

<sup>10</sup> *Hoigges v. Harry*, Id. xxiv.



poor widow ;<sup>1</sup> because the defendant had through envy thrown down the plaintiff's house ;<sup>2</sup> for relief against maintenance ;<sup>3</sup> for quiet possession ;<sup>4</sup> for discovery ;<sup>5</sup> to set aside a conveyance obtained from the complainant when intoxicated ;<sup>6</sup> for tithes ;<sup>7</sup> to restrain harassing litigation ;<sup>8</sup> to set aside a release obtained by a trick, and to enjoin the defendant from using it in an action at law.<sup>9</sup>

In *Geffry Downham v. Heylyn ap Blethyn*<sup>10</sup> the defendant is alleged to have wrongfully obtained letters of presentation to a benefice. For this there was a legal remedy by *scire facias* ; but the complainant seems to have thought himself justified in seeking equitable relief on the simple ground of failure or delay on the part of the common-law courts. "He hath sued," says the petition, "for the same cause from term to term at Nottingham, York, Winchester, and London, without success."

*Broddesworth v. Coke*,<sup>11</sup> which occurred in the reign of Edward IV., is a case which strikingly illustrates the progress which equitable jurisdiction was making. It was a bill setting forth an agreement by which the complainant was to convey certain lands, goods, and *tailles*<sup>12</sup> to the defendant for the purpose of making a settlement with the complainant's creditors, and to secure advances to be made by the defendant ; and that afterwards, upon the solicitation of the defendant, an absolute conveyance was executed, although it was intended that the transaction should be a mortgage. The prayer of the bill was for an account and reconveyance. The bill was dismissed because, as to the lands, the evidence of the conditional character of the conveyance was insufficient, and as to the goods and *tailles* the complainant had a remedy at law.

In the above case it will be observed that many well-known equitable doctrines are recognized. In the first place an absolute conveyance is alleged to be a mortgage, and the *fraud* of the defendant in taking advantage of its absolute form, contrary to the true intention of the parties and to his promise, is

<sup>1</sup> *Danyell v. Belyngburgh*, Id. xxx.

<sup>2</sup> *Saxby v. Laurence*, Id. xxxiii.

<sup>3</sup> *Bell v. Rawe*, Id. xxxvi.

<sup>4</sup> *Cullyer v. Knyvett*, Id. cxxxvii.

<sup>5</sup> *Oxford v. Tyrell*, Id. cxx.

<sup>6</sup> *Stonehouse v. Stanshaw*, Id.

<sup>7</sup> *Arkenden v. Starkey*, Id. xxxv.

<sup>8</sup> *Freeman v. Poutrell*, Id. xiii.

<sup>9</sup> *Cobbethorn v. Williams*, Id. ii.

<sup>10</sup> 1 Chan. Cal. ii.

<sup>11</sup> Id. lxvii.

<sup>12</sup> Acquittances.

set forth as a ground for equitable relief. The defendant, moreover, is, in substance alleged to be a *trustee* for the benefit of the complainant's creditors, and as such liable to answer before a court of equity. The relief sought is in accordance with the redress which a chancellor of the present day would give in such a case if it were properly proved, viz., an account showing how the trust assets had been administered, and a reconveyance of so much of the real estate as had not been employed for the purposes of the trust. The decree of the court is also in accordance with modern principles ; for when actual *fraud* is alleged it cannot be presumed, but must be proved ; whereas in the present instance the complainant seems to have been unable to make out his case. And as to the goods and *tailles*, the bill appears to have been rightly dismissed, because for those the complainant had a complete common-law remedy.

### 9. General Conclusions ; Writ of Subpœna ; Pleading ; Evidence.

From the above brief sketch of the rise of the jurisdiction of the English Court of Chancery three things are plain :

*First.* That, in the earliest times of the English Constitution, there was felt a want of judicial relief outside and beyond that which was afforded by the common-law courts of the King's Bench, Common Pleas and Exchequer.

*Second.* That in consequence of this want, and for the purpose of supplying it, appeals were made to the king, as the head and fountain of all justice, sometimes in Parliament, sometimes in council, and sometimes in person ; and that these applications, from the circumstance of having been referred from time to time to the chancellor, came at last to be presented to that official in the first instance ; and

*Third.* That relief was afforded upon these petitions only in those cases wherein the common-law courts either could give no redress at all, or could give no adequate redress ; and that while in some of these cases the necessity for the interposition of a chancellor has passed away, in others the principles then enforced have furnished the foundation upon which the modern jurisdiction of courts of equity has been built.

The *process* in equity was a subpœna, issued by the chancellor, in the name of the king, whereby the party was summoned to appear and answer the complaint of the plaintiff, and abide

by the order of the court. It is commonly supposed to have been invented by John de Waltham, keeper of the seal under Richard II., and it is so stated in the complaint made by the commons to Henry V.; but this is doubtless an error, as an instance of the writ is found in 37 Edward III.; and de Waltham was not Master of Rolls until the fifth year of Richard II.<sup>1</sup>

The statement of the plaintiff's cause of action in equity is called the *bill*. To this bill the defendant (unless he could protect himself by a demurrer or a plea) was obliged to put in an *answer* under oath. The complainant in equity was therefore enabled to "search the conscience" of the defendant. But the defendant, on the other hand, enjoyed this advantage, that his answer, where no replication was filed by the complainant, was taken to be absolutely true in all its parts, whether the averments which it contained were simply in denial or were by way of confession and avoidance. And even when a replication was filed, the answer, when responsive to the bill, was also conclusive unless contradicted by two witnesses, or by one witness and corroborating circumstances. This fact is important to remember in many cases, in considering the relief which a court of chancery affords. Relief may with propriety be granted, if based upon an admission of fact by the defendant himself, when, without such a foundation, it ought with equal propriety to be refused. Thus it will be seen hereafter that equity will reform an instrument or rescind a contract executed or entered into under a mistake of fact, or because it does not correctly express the intention of the parties. But it does this only after the mistake has been admitted by the defendant, or so conclusively proved against his answer denying it, that there can be no doubt whatever of its existence. While the relief afforded in equity was therefore extraordinary, equally extraordinary precautions were taken to prevent that relief from being improperly granted.

If the plaintiff was not satisfied with the admissions in the

<sup>1</sup> See 1 Spence Eq. 338, note b. "The subpoena was the former process to bring in a party to answer a charge before the king in council (see Hale Jurisp., H. L., pp. 7, 44), and was for some remedial purposes a usual process of the court of chancery as early as

the reign of Edward III., when the jurisdiction of the court was beginning to show traces of a partial independence of that of the council. 1 Ro. Abr. 372." Winter v. Ludlow, Circuit Ct. U. S. (East. Dist. Pa.), Pamphlet Opinion of Cadwalader, J., pp. 26, 27.

answer, and could not upon those admissions obtain the relief which he sought, his proper course was to traverse the defendant's averments, and this was done by filing a replication. The issue or issues between the parties were in this way arrived at, and the next step was the production of the evidence.

The manner of taking evidence in equity is different from that which is pursued at law, although the rules of evidence are the same. At law the testimony is taken *vivâ voce*, and publicly at the trial of the cause; in equity, according to the ancient practice, the evidence was elicited by interrogatories and cross-interrogatories, and was taken privately before an officer of the court called an examiner.<sup>1</sup> The practice was for the party (plaintiff or defendant) to file written interrogatories, whereupon the opposite party was at liberty to file cross-interrogatories for the purpose of cross-examination. Upon these interrogatories and cross-interrogatories the witnesses were examined privately by an examiner—no one but the witness and the examiner being permitted to be present—and the answers reduced to writing. After the depositions had thus been taken, leave to inspect them, after a time fixed by rules of court, was given to the parties, and this was called passing publication. After publication was passed, no further witnesses could be examined without special leave of the court.

This method of taking testimony in chancery has been changed in modern times; and in England and in the United States a *vivâ voce* examination before the examiner, or, before the court itself, is now substituted for the examination through interrogatories. The testimony, however, is reduced to writing, and forms part of the record in the cause. The difference between the methods of taking testimony in chancery and at law is the result of the difference in the ends sought to be attained. At law, evidence is the means whereby a jury determines the issues raised by the pleadings; in chancery it is the machinery by which the chancellor informs himself of the facts upon which to base his decree. The complainant in his bill is bound to set forth the facts which are supposed to entitle him to relief; and the defendant's answer must be fully responsive to these allegations. If the answer admits the statements in the bill, the facts necessary to found a decree then

<sup>1</sup> See Adams's Eq. \* 365 *et seq*

stand admitted on the pleadings. If the answer denies the averments of fact in the bill, it is, as already stated, conclusive in favor of the defendant unless contradicted by two witnesses, or by one witness and corroborating circumstances. Where, however, the testimony is conflicting, the chancellor is not obliged to decide the issue of fact thus raised, himself, but may direct an issue to be framed and sent to a jury. But this course is only adopted to inform (as the phrase is) the conscience of the chancellor, and if he is not satisfied with the finding of the jury he may disregard it.<sup>1</sup> And he is bound so to disregard it if the evidence is insufficient to warrant a jury in finding the fact.<sup>2</sup> It results from this that in Pennsylvania and other states, where common-law forms are used for the purpose of administering equitable relief, it is the duty of a judge, where, in his opinion, the facts proved do not make out a case in which a chancellor would make a decree, to give binding instructions to that effect to the jury.<sup>3</sup> It must also be understood that the court is not *bound* to send an issue to a jury. It is solely for the benefit of the chancellor, and if he can, to his own satisfaction, pass upon the evidence without the assistance of a jury trial he may do so;<sup>4</sup> for the right of trial by jury, considered as an absolute right, does not extend to cases of equity jurisdiction.<sup>5</sup>

### 10. Progress of Chancellor's Jurisdiction.

To return from this digression. The jurisdiction above described was not exercised without opposition. In the successive reigns of Richard II., Henry IV., Henry V., and Henry VI., petitions were, from time to time, presented by the Commons setting forth encroachments upon the common law, complaining that men were brought before the council on matters which were remedial at law, and (in two instances) inveighing against the use of the subpoena. The jurisdiction of the chancellor and the council was, however, upheld by the sovereign; and the obnoxious writ was not abolished.

In the reign of Henry VIII. a statute was passed which threatened at first to remove a large portion of the jurisdiction

<sup>1</sup> *Henry v. Mayer*, 6 Ariz. 114; *Buckers Irrigation Co. v. Farmers' Ditch Co.*, 31 Colo. 62.

<sup>2</sup> *Baker v. Williamson*, 4 Pa. 456.

<sup>3</sup> *Phillips v. Meily*, 106 Pa. 536; *Fidelity Ins., etc., Co. v. Moore*, 194

*Id.* 617; *Dorris v. Morrisdale Coal Co.*, 215 Pa. 638. See *Kohn v. McNulta*, 147 U. S. 238.

<sup>4</sup> *Smith v. Carll*, 5 J. C. R. 118.

<sup>5</sup> *Barton v. Barbour*, 104 U. S. 133; *Canavan v. Paye*, 34 Pa. Sup. 91.

of the chancellor by destroying a species of property which had hitherto been solely cognizable in his court, namely the *Use*.

By the celebrated Statute of Uses (27 Henry VIII., c. 10) this estate in the land (the use), which had hitherto been recognized solely in a court of equity, was clothed with the legal title, and thereby rendered a proper subject for the recognition of a common-law court. The nature of the use and the effect of the statute will be explained hereafter. It will be sufficient to say, at present, that the threatened blow at the jurisdiction of chancery was averted by an ingenious construction of the statute, whereby these equitable estates were rescued from destruction, and their control still retained in the court where they had originated.

In the reign of James I., another attempt was made to interfere with the jurisdiction of the chancellor. An action was tried before Coke in which the plaintiff lost the verdict in consequence of one of his witnesses being artfully kept away. He then had recourse to chancery to compel the defendant to answer on his oath, which the latter refused to do, and was committed for contempt. Coke then had indictments preferred against the parties to the bill, their counsel and solicitors, for suing in another court after judgment obtained at law, which was alleged to be contrary to the statute of *præmunire*.

The matter was referred to the king, whose decision was in favor of the lord chancellor.<sup>1</sup>

From that time to the present the jurisdiction of the Court of Chancery has been free from interference, and has expanded into a wise and comprehensive system of justice. This system has been perfected by the hands of many illustrious men who have sat upon the woolsack or at the Rolls—among whom are to be mentioned Nottingham,<sup>2</sup> Hardwicke, Eldon and Grant, St. Leonards, Westbury, Selborne and Jessel.

Courts of common law, in modern times, have afforded relief in many cases which formerly fell under the cognizance of chancery alone; but the latter tribunal has not, on that account, abandoned the jurisdiction which it had acquired, and the suitor has now, not unfrequently, two tribunals open from which he may obtain redress.

<sup>1</sup> Earl of Oxford's Case, 1 Ch. Rep. 1; 2 Lead. Cas. Eq. \*601 (1291, 4th Am. ed.).

<sup>2</sup> "The father of equity almost, I

may say, in this court," by Sir R. Pepper Arden, M. R., in *Brydges v. Brydges*, 3 Ves. 127.

The choice between the two tribunals in England has been of late years greatly affected in favor of the Court of Chancery, by reason of the vast improvements which have been introduced in the constitution of the equity courts and the practice therein. The jurisdiction formerly administered by the chancellor alone came, by various statutes, to be vested in eight judges, viz., the Lord High Chancellor, two Lords Justices of Appeal, the Master of the Rolls, three Vice-Chancellors, and the Chief Judge in Bankruptcy; and many improvements were introduced tending to the prompt and economical administration of justice.

### 11. Supreme Court of Judicature Act.

The system, however, of two distinct sets of courts administering different and, sometimes, conflicting rules at last ceased to find favor in England. On the fifth of August, 1873, an Act of Parliament was passed under the title of the "Supreme Court of Judicature Act," whereby the constitution of the English courts was radically changed. By this Act (which, it was declared, should come into operation on the second day of November, 1874) it was provided that the Court of Chancery, the Court of Queen's Bench, the Court of Common Pleas, the Court of Exchequer, the High Court of Admiralty, the Court of Probate, the Court for Divorce and Matrimonial Causes, and the London Court of Bankruptcy should be united and consolidated, and should constitute one Supreme Court of Judicature, to consist of two divisions under the name of "Her Majesty's High Court of Justice," and "Her Majesty's Court of Appeal." It was further provided that the judges of the High Court of Justice should not exceed twenty-one in number; and that the Court of Appeal was to consist of five *ex officio* judges, and so many ordinary judges (not exceeding nine at any one time) as might from time to time be appointed. The *ex officio* judges were declared to be the Lord Chancellor, the Lord Chief Justice of England, the Master of the Rolls, the Lord Chief Justice of the Common Pleas, and the Lord Chief Baron of the Exchequer.<sup>1</sup> The act further provided that, if the plaintiff claims

<sup>1</sup> By Statute of 44 & 45 Vict. c. 68 (1881), the President for the time being of the Probate, Divorce, and Admiralty Divisions of the High Court of

Justice shall be an *ex officio* judge of the Court of Appeal; and so also by Statute of 54 & 55 Vict. c. 53 (1891), shall the Ex-Lord Chancellor.

any equitable estate, or right, or relief upon any equitable ground, or equitable relief upon a legal right, the said courts and every judge thereof should give the same relief as ought to have been given by the Court of Chancery before the passing of the Act; and that, if a defendant claims any equitable estate or right, or relief upon any equitable ground, or alleges any ground of equitable defence, the said courts and every judge thereof should give the same effect to every estate, right, or ground of relief so claimed, and to every equitable defence so alleged, as the Court of Chancery ought to have given in proceedings in that court before the passing of the Act. Other provisions also exist, whereby equitable titles and rights are directed to be recognized, and equitable remedies substantially applied.<sup>1</sup>

By Statute of 38 and 39 Vict. c. 77 (1875), the constitution of the Court of Appeal was changed, and that tribunal was made to consist of the five *ex officio* judges already named and as many ordinary judges, not exceeding three, as should be, from time to time, appointed. By the Act of 1876 (39 and 40 Vict. c. 59) three additional judges of appeal may be appointed, and an appeal lies from the Court of Appeal to the House of Lords. The positions of Lord Chief Justice of the Common Pleas and Lord Chief Baron of the Exchequer are now abolished.

It will be observed that, by the provisions of these Acts, the principles of justice, as administered in the Court of Chancery, were made to pervade the whole mass of English jurisprudence; and that, in fact, by the rules growing out of those principles, all questions of justice in England are hereafter to be determined.

It is plain, from the above sketch of the rise of the Court of Chancery, that the term "equity," as descriptive of an important body of English law, has, as stated above, an essentially technical signification, and that its precise and definite meaning when so used is clearly distinguishable from that which it bears in its ordinary acceptance. Thus, "equity" may be in one sense synonymous with natural right and justice; but neither Courts of Chancery nor courts of law profess to afford relief in *all* cases in which redress would be prescribed by rules

<sup>1</sup> See Wilson's Judicature Acts, pp. 1 to 169; and 18 Am. Law Rev. 575.



of charity, generosity or benevolence, or by the dictates of a nice sense of honor, and yet the rules of benevolence and the principles of honor are included within the scope of the terms "right" and "justice," and may therefore fall within one meaning of the term "equity." On the other hand, courts of common law recognize "equity" in a certain sense. Thus, when the "equity" of a statute is spoken of, or a certain case is said to be within that "equity," or the like, the meaning intended to be conveyed is simply that a sound and fair interpretation of the law must be given—an interpretation based not upon its letter alone, but upon its spirit and true sense. This method of interpreting statutes is one of the fundamental rules for their construction, and obtains in all courts—in those of common law just as much as in those of equity.

The meaning of the word "equity" then, as used in its technical sense in English jurisprudence, comes back to this, that it is simply a term descriptive of a certain field of jurisdiction exercised, in the English system, by certain courts, and of which the extent and boundaries are not marked by lines founded upon principle so much as by the features of the original constitution of the English scheme of remedial law and the accidents of its development.

### 12. Principles of Equity adopted in United States.

It has been already stated that the principles of justice, as administered by the High Court of Chancery in England in the exercise of its extraordinary jurisdiction, have been adopted in nearly all, it would not be too much to say in *all*, of the United States. While this is true, it must be remembered that the practical application of these principles through the machinery of the courts has varied very much throughout the Union, and has received many modifications at different periods.

### 13. Jurisdiction of Federal Courts.

The federal courts have equity powers within the scope of the jurisdiction conferred upon them by the Constitution.<sup>1</sup>

By the Constitution of the United States<sup>2</sup> it is provided that the judicial power of the federal government shall extend

<sup>1</sup> *Neves v. Scott*, 13 Howard, 270; *inson v. Campbell*, 3 Wheat. 223; *Boyle v. Zacharie*, 6 Peters, 658; *Rob- Noonan v. Lee*, 2 Black, 509.

<sup>2</sup> Art. III., sec. 2.

to all cases at law or in *equity* arising under the Constitution and laws of the United States, and treaties made or which shall be made under their authority. This jurisdiction, as explained in the judiciary act, is not to be exercised in either of the courts of the United States in any case where a plain, adequate, and complete remedy may be had at law,<sup>1</sup> but this enactment is declaratory merely of the existing law.<sup>2</sup> It has also been said that the practice of the English High Court of Chancery forms the basis of the equity practice of the courts of the United States.<sup>3</sup>

Not only are both the *principles* and *practice* of the High Court of Chancery recognized in the administration of equity in the federal courts, but the administration of chancery doctrines under chancery forms is uniform throughout the Union. "At the time the Constitution was formed, the distinction between law and equity as known in the country from whence our ancestors came was recognized by the Constitution; and the courts of the United States have uniformly held that the rules of decision in equity cases were the same in all the states, and they are the equity law which we derived from England."<sup>4</sup> It is, moreover, settled law that the courts of the United States do not lose any of their equitable jurisdiction in those states where no such courts exist, but, on the contrary, are bound to administer equitable remedies in cases to which they are applicable, and which are not adapted to a common-law action. Equitable titles, therefore, though allowed to be set up in state courts, in common-law suits, cannot be recognized in such suits in the federal courts. They must be made the subject of suits in equity.<sup>5</sup>

#### 14. Changes of Procedure in some States.

After the separation of the American colonies from the British Crown, the constitutions of many of the states provided

<sup>1</sup> Act of 1789, § 16; 1 Stat. at Large, 82; Revised Statutes, § 723, p. 137. Smith v. Am. Nat. Bank, 22 C. C. A. 368.

<sup>2</sup> Boyce v. Grundy, 3 Pet. 210; Smith v. Burnham, 2 Sum. 612, 625.

Oelrichs v. Spain, 15 Wall. 228; Curtis on the Jurisdiction of the United States Courts, 13; Neves v. Hunt v. Danforth, 2 Curt. 592. See Scott, 13 How. 268.

Thompson v. R. R. Co., 6 Wall. 137; Ridings v. Johnson, 128 U. S. 217.  
Busard v. Houston, 119 U. S. 352;

for the establishment of courts of chancery, after the model of the High Court of Chancery in England.<sup>1</sup> Such was the case in New York, New Jersey, Maryland, Delaware, South Carolina, and also Michigan.

In other states, as in Pennsylvania, there were no separate courts of chancery, and the equity powers conferred upon the common-law courts were exceedingly limited. Changes were, however, made from time to time in most of the states. In 1840 the state convention which revised the Constitution of New York abolished the courts of chancery, and conferred upon the Supreme Court a general jurisdiction in law and equity; while, on the other hand, in Pennsylvania enlarged equity powers were conferred upon the courts in obedience to the suggestions contained in the report of the committee to revise the civil code, made in 1835.

The example of New York, in abolishing the distinction between legal and equitable forms of action, and substituting a general form of civil action in their place, has been followed by very many of the western states of the Union, and even the state of South Carolina, so justly celebrated for the learning and ability of its chancellors, has given in its adherence to the new system, and has adopted a code whereby separate courts of equity are abolished, and all civil injuries are redressed by one form of action.<sup>2</sup>

But even in those states where this sweeping change has been effected it has still been found necessary to make provisions for certain equitable remedies, the absence of which would inevitably result in a failure of justice in many cases. Thus, injunctions and writs of *ne exeat* are issued, specific performance enforced, and receivers appointed upon applications not made according to the course and practice of chancery, but under common-law or statutory forms;<sup>3</sup> and relief which falls

<sup>1</sup> A court of chancery had existed for a short time in Pennsylvania between the years 1720 and 1739. See article by Law. Lewis, Jr., in *Hist. Soc. Mag.* for July, 1881, where a case in Chester county is cited in which a court sitting as a court of equity reversed its own judgment given as a court of law. See Rawle's *Essay on Equity in Pennsylvania*.

Courts of chancery had also existed prior to the Revolution in most of the colonies. See Laussat's note to 1 Fonblanque's *Equity*, 13, article in 18 *Am. Law Rev.* 226, and Story's *Equity Jurisprudence*, § 56.

<sup>2</sup> *Rev. Stats.* of 1873, p. 586.

<sup>3</sup> This is the case in California (*Wood's Dig.* 168, 933; *Parker's Sup.* § 9172; *Sta. of 1885*, p. 94);

under the *quia timet* jurisdiction of equity is afforded through the medium of a petition or complaint.<sup>1</sup>

### 15. Classification of states.

In considering this subject, therefore, the states of the Union may be conveniently divided into three groups or classes.

The first embraces those states wherein distinct courts of chancery exist; and includes New Jersey, Delaware, Tennessee, Mississippi, and Alabama.

The second class is composed of those states wherein chancery powers are exercised by judges of common-law courts, but according to the course and practice of chancery. These states are Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, Pennsylvania, Maryland, Virginia, West Virginia, North Carolina, Kentucky, Illinois, Texas, Florida, Michigan, Iowa, Arkansas, Oregon, North Dakota, South Dakota, Washington, and Colorado.

The third class of states includes, it is believed, all those which have not been mentioned as falling within the other two classes. In these states the distinction between actions at law and suits in equity has been abolished; but, as has been already stated, certain equitable remedies are still administered under the statutory form of the civil action.<sup>2</sup>

Whatever modifications have been introduced by statute into the *forms* of relief, the system of justice which is administered

New York (Code Civ. Proc. § 3339); Ohio (Code, § 3); South Carolina (Rev. Stats. of 1873, 586); Missouri (Wagner's Dig. 1872, 999 and 1028); Wisconsin (Taylor's Statutes, 1416); Kansas (Code, Chapter 80, Article II., § 10); Minnesota (Chap. 66 of the Code, Title I., § 1); Indiana (Code, Part II., Chap. I., Art. I.). Even in Pennsylvania, where the doctrine of equitable relief under common-law forms is most firmly established, complete redress is sometimes only attainable by bill in chancery. See *Trefts v. King*, 74 Pa. 350. But it is to be observed that in this state, the equitable jurisdiction is not general; it is limited to certain enumerated subjects. It has, therefore, been recently held that the

jurisdiction to declare a marriage valid or void by reason of the sanity or lunacy (as the case may be) of one of the contracting parties, while capable of being exercised in England, cannot, not having been conferred by statute, be taken advantage of by Pennsylvania courts. *Pitcairn v. Pitcairn*, 201 Pa. 368. It is moreover established in that state, for the same reason, that no advisory or declaratory jurisdiction can be exercised by its courts. *Morton's Estate*, 201 Pa. 269.

<sup>1</sup> Statutes of California, Parker's Supplement, § 9172.

<sup>2</sup> The distinction between actions at law and suits in equity abolished in *Alaska Pacific Coast Co. v. Brown*, 2 Alaska, 621.

in courts of equity must, of necessity, enter into the laws of every civilized state whose institutions are derived, directly or indirectly, from England; and no state in the Union, however widely it may depart from the practice of the English High Court of Chancery, can discard the principles upon which its extraordinary jurisdiction is founded.<sup>1</sup>

<sup>1</sup> See *German-Am. Tit. Ins. & Tr. Co. v. Shallcross*, 147 Pa. 485, for an example of a case in which *an attempt* to get an equitable relief in a common-law suit, conducted on equitable principles, failed, and a resort to a bill in chancery was necessary.

## CHAPTER II.

## GENERAL OUTLINE OF EQUITABLE JURISDICTION.

- |                                         |                                                |
|-----------------------------------------|------------------------------------------------|
| 16. Three great divisions of equity.    | 29. Specific performance.                      |
| 17. Equitable titles; example.          | 30. Injunctions.                               |
| 18. Equitable rights; example.          | 31. Re-execution; Reformation; Re-             |
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| 20. Subjects of equitable jurisdiction; | 32. Account; Dower; Partition; Con-            |
| Trusts.                                 | fusion of boundaries; Rent.                    |
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| 22. Assignments.                        | Administration suits.                          |
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| 25. Notice; Estoppel; Election.         | ine witnesses abroad; Perpetua-                |
| 26. Conversion.                         | tion of testimony; Examina-                    |
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| tion; Subrogation; Exonera-             | 36. Bills <i>quia timet</i> ; Receivers; Writs |
| tion; Marshalling.                      | of <i>ne exeat</i> ; Writs of <i>suppli-</i>   |
| 28. Equitable liens.                    | <i>cavit</i> .                                 |

**16. Three great divisions of Equity.**

It is trusted that the sketch already given of the rise of the High Court of Chancery in England, and of the reasons for its assuming the exercise of its extraordinary jurisdiction, has made it apparent that the subjects or heads of chancery jurisdiction are susceptible of division into three general classes: the first embracing those cases in which common-law courts do not recognize a *title*; the second, those in which the common-law courts do not recognize a *right*; and the third, those cases in which the common-law courts cannot *enforce* a right, or cannot *enforce it so as to do complete and exact justice*.<sup>1</sup>

It will be convenient to give an illustration of each of these general subdivisions of equity.

**17. Equitable Titles; Example.**

Equity recognizes titles which were entirely ignored at common law.

Thus, for example, it is well known that a *chose in action*

<sup>1</sup> See Spence Eq., Part II., Book III., Chap. 1.

could not be assigned at common law. The assignee had no standing whatever in a common-law court; the assignment was null; he simply took no title whatever. In equity, however, whenever the assignment was founded upon a valuable consideration, and when it would therefore be unfair to allow a person to pay value without getting a substantial equivalent, an entirely new title was created, distinct from and independent of the legal title, which still remained in existence, but was held by the assignor solely for the benefit of the assignee. The method of asserting this equitable title was by allowing the assignee to use the name of the assignor in an action at law to recover the *chose*, and by restraining the latter from any interference in this suit. If the assignor refused to allow his name to be used, or any other reason existed which called for the direct interposition of chancery, the assignee was entitled to file a bill in equity, and his title to the *chose* was immediately recognized and enforced.<sup>1</sup>

Here, then, is a case in which equity creates and enforces a title not known at law.

### 18. Equitable Rights; Example.

Again: the enjoyment, devolution, and transmission of legal titles are sometimes controlled by equitable doctrines, so that the rights of parties thereto may be very different in courts of equity from those to which a court of law would give effect. For instance, a guardian purchases property of his ward the day after the latter attains his majority. Here is a transaction by which the legal title to the property passes, and after which the rights of the parties, *at law*, are fixed. But equity views such a bargain with a jealous eye; and, in fact, has laid down the imperative rule that it cannot stand if the ward within a reasonable time chooses to disaffirm it. In equity, therefore, the ward may obtain a restitution of the property (upon the return of the consideration), not, indeed, because in chancery any new title is created, but because by the application of an equitable doctrine the legal title is taken away from the person who at law would be entitled to hold it, and restored to him who in good conscience should be the rightful owner.

### 19. Equitable Remedies; Example.

Of the third general class of cases in which equity affords

<sup>1</sup> *Trexler v. Kuntz*, 36 Pa. Sup. 352.

relief—those, namely, in which a court of law recognizes a right but cannot enforce it—in other words, those cases which fall under the head of equitable remedies—the doctrine of specific performance of contracts may be taken as an illustration. At law, if A. sells B. a piece of real estate, the legal title remains in the former until a deed is executed and delivered; and if he refuses to complete the sale, no power at common law can compel him to convey. B.'s right at common law (supposing the contract to be executed in such a way as to be binding) is simply a right of action on the contract by which damages may be recovered. Now, even if the case should happen to be one in which B. may recover damages in a common-law action for the loss of his bargain,<sup>1</sup> it is obvious that his legal remedy is nevertheless wholly inadequate, and affords no substantial redress. He has a right to the property; he has a right which the law recognizes, because, if the property is destroyed, the loss falls on him; but the common law is powerless to give him the thing itself for which he has bargained; it can only give him damages.

But in equity he has complete relief. Upon a bill being filed, and a proper case made out, the complainant is entitled to a decree that the defendant do convey to him the property in question on or before a certain day; and if the defendant disobeys the decree, his compliance therewith is enforced by an attachment—in other words, he is committed to prison until he executes the deed.

It will be observed, therefore, that the general field of the jurisdiction of courts of chancery is susceptible of three great divisions, viz., I. Equitable Titles; II. Equitable Rights, or Equities; and III. Equitable Remedies.

It will be convenient, however, not only to point out the above general subdivisions, but to give also a brief summary, or, as it were, catalogue, of the subjects of equitable jurisdiction.

## 20. Subjects of Equitable Jurisdiction; Trusts.

The first and perhaps the most important of these subjects is that of Trusts.

A Trust is the beneficial title or ownership of property of

<sup>1</sup> For a discussion of the authorities upon this interesting point, see 1 Sug. V. & P. 542 (8th Am. ed. by Perkins). See also *Bowser v. Cessna*, 62 Pa. 148; *Thompson v. Sheplar*, 72 Id. 160.



which the legal title is in another. The person in whom the legal title is vested is called the trustee, and the person for whose benefit the trust exists is called the *cestui que trust*. So far as the duties of the trustee are concerned, trusts may be divided into active or special, and passive or simple trusts.<sup>1</sup> An active trust is one in which the trustee has some active duties to perform, such as to collect the rents and profits of an estate, and pay the net income to a married woman for her separate use; or to pay debts or legacies, or the like. A passive trust is one in which the trustee is the mere holder of the legal title, which he is compelled to convey to the *cestui que trust* whenever he is called upon to do so. Trusts are also either executed or executory. An executed trust is one in which the estates and interests in the subject-matter of the trust are completely limited and defined by the instrument creating the trust, and require no further instruments to complete them. An executory trust is where the instrument creating the trust is intended to be provisional only, and further conveyances are contemplated in accordance with the terms of the trust, and whereby the same may be effectually carried out.<sup>2</sup>

Trusts may also take their name from the purposes for which they are created, *e. g.*, trusts may be either private or public trusts; they may be either trusts lawful or trusts unlawful.

The division of trusts, however, which is generally made for the purposes of a treatise on equity, is one based upon the manner in which trusts are created, and it is plain that this may be in one of two ways—either, first, by act of party, or, second, by act of law. Trusts, as respects their mode of creation, are therefore divisible into express and implied trusts; and implied trusts are in this treatise again subdivided into resulting trusts and constructive trusts.

Express trusts, as a general rule, may be created by parol; and no particular form of language is necessary, but any words which sufficiently indicate intention will be competent to create a trust. Trusts in respect to real estate are, however, required by the Statute of Frauds in England to be in writing; and similar statutes have been passed in nearly all of the United States.

Express trusts may be created either by direct fiduciary

<sup>1</sup> Lewin (10th Eng. ed.), 16.

<sup>2</sup> Lewin (10th Eng. ed.), 120.

expressions, or by precatory words, or by words indicating that a power is to be used in trust.

Of trusts by direct fiduciary expressions nothing need, at present, be said in explanation.

Trusts by precatory words arise where a testator has not used words of direct command, but expressions of entreaty or recommendation, which are construed, for the purpose of effectuating intention, to be equivalent to imperative words.

Powers in trust are those powers, the exercise of which is not left to the discretion of the donee of the power, but which are considered as obligatory because they are to be exercised for the benefit of some third persons, and the duty of the donee of the power is therefore looked upon as a trust.

A resulting trust may arise in several ways, one of the most usual being where a purchase is made and the money paid by one man, and the title to the property is taken in the name of another. Here the law implies a trust, on the part of the latter, to hold the legal title for the benefit of the actual purchaser. So, too, where there is a gift by will to trustees for a particular purpose which fails, a trust results for the benefit of the heir-at-law or next of kin, according as the gift is of real or personal estate. The other cases of resulting trusts are those in which the trustee or other fiduciary buys property in his own name, but with trust funds—in which case a trust will result for the benefit of the party whose funds are thus employed ; and where a conveyance is made without any consideration, and it appears from circumstances that the grantee is not intended to take beneficially, the rule then being that a trust results to the grantor.

A constructive trust may arise either out of fraud or in the absence of fraud. The most numerous cases of constructive trusts are those which spring from actual or presumptive fraud, and will be treated of under that head of equitable relief. A trust which arises from actual fraud is where (for example) a conveyance is obtained by direct deceit or misrepresentation. In such a case, equity affords redress by treating the wrongdoer as a trustee of the legal title of the property, for the benefit of the injured party, and directing a conveyance.

Presumptive fraud is where the law supposes that a transaction is fraudulent from the mere circumstance of the relations of the parties or the nature of the transaction, without any proof of actual deceit. Thus a bargain between a solicitor and

client, a guardian and ward, a parent and child, a trustee and *cestui que trust*, or any other two persons standing in a confidential or *quasi*-confidential relation, touching the subject-matter as to which the fiduciary relation exists, will be set aside at the option of the client, ward, child, or *cestui que trust*, as the case may be, unless the entire fairness of the transaction is abundantly proved. In this case, also, equity uses the theory of a trust for the purpose of effecting relief, in the same way as in cases of actual fraud.

A constructive trust, in the absence of fraud, may arise in several ways. Thus where a person acquires trust property without notice of the trust, but without having paid any value for it, he is not entitled to hold it discharged of the trust, but is looked upon in equity in the same light as a trustee, and is compelled to convey or otherwise dispose of the property accordingly. Another common instance of constructive trusts occurs in the renewal of leases; the rule being that if a trustee or executor, or even an executor *de son tort*, renew a lease in his own name, he will be deemed, in equity, a trustee for those interested in the original term.<sup>1</sup>

Another instance of a constructive trust in the absence of fraud is where a binding contract is made for the sale of real estate. In such a case, before the conveyance is executed, equity treats the vendor as a trustee of the land for the benefit of the vendee, and the latter as a trustee of the purchase-money for the benefit of the former. This doctrine is properly a branch of the subject of specific performance, and will be treated of under that head.

Having noticed the manner in which trusts are called into being, the next thing to be considered is "for what purposes are trusts usually created?" One of the most frequent and important of these purposes is to secure the property of married women; and this is effected by a gift to her sole and separate use. The separate use is a creature of equity; and is, perhaps, one of the best illustrations which could be given of the manner in which chancery courts, in certain cases, depart from the rules of common law. By the latter, a husband was entitled to all his wife's personalty in possession; to her *choses in action*, if he chose to reduce them into possession, or (as the rule is some-

<sup>1</sup> Lewin (10 Eng. ed.), 192.

times held) convert them to his use; and to a life estate in her realty. Equity, for the benefit of married women, allows gifts to be made to her by which her husband may be deprived of all these rights.

By conveying the estate to a trustee for the sole and separate use of a married woman, the *corpus* of the estate may be secured from any control of the husband, or from any liability to his debts, and the income paid directly to the wife. In England, and in some of the states of the Union, the wife has the same control over the separate estate (unless expressly restrained) as she would have if unmarried. In other states she has only those powers which are conferred upon her by the instrument creating the estate.

The descent and distribution of separate use estates are the same as those of legal estates, except (of course) where differences are made by statute; and this rule indeed applies to all equitable estates, with the qualification that a woman is not dowable out of an equitable estate, although a man is entitled to his tenancy by the curtesy.

Connected with the subject of a married woman's equitable separate estate is what is known as her equity to a settlement. This arises when a husband is obliged to go into a court of chancery for the purpose of reducing his wife's *chooses in action* to possession; or getting in any property that belongs to her. In such a case, the court refuses to aid the husband, except upon the terms of making a reasonable settlement upon the wife out of the property.

Gifts directly from the husband to the wife will also require notice under this head—as these gifts are void at law, and are upheld by virtue of equitable doctrines only.

Another important class of trusts is that for charitable purposes. These trusts are of a public nature, and differ from other trusts in several important particulars, among which two may be especially mentioned, viz., first, that charitable trusts do not require such a decree of certainty in the description of the beneficiaries as is requisite in an ordinary private trust; and, secondly, such trusts are not subject to the ordinary rules in relation to perpetuities. They depend very much in England, and in many of the United States, upon a statute passed in the reign of Queen Elizabeth, and constitute an important branch of equitable jurisdiction.

A court of chancery always exercises a supervision and control over trustees in the administration of their trusts. Any trustee is entitled to come into court for advice or assistance, or for the purpose (in a proper case) of being discharged; and any *cestui que trust* may invoke the interposition of the chancellor in cases of breach or abuse of the trust, or to have a vacancy in the office of trustee supplied.

The duties of trustees, of course, vary with the character of the trust and the nature of the subject-matter thereof. They may be said to be summed up in the duty faithfully to attend to the interests of the *cestui que trust*, and to abstain from making any use of the trust property for the trustee's own benefit.

Trustees, according to the English rule, are not entitled to compensation; but in this country the law is generally otherwise.

## 21. Mortgages.

The case of Mortgages is the next head of jurisdiction in which an independent title is created and recognized in equity. A mortgage is a conveyance of real estate to secure a debt due by the mortgagor (the party who executes the conveyance) to the mortgagee (the party to whom the conveyance is made), coupled with a clause of defeasance by which upon the payment of the debt on a day specified, the title to the property reverts in the mortgagor. At law, if the day for payment passed by, the estate became absolute in the mortgagee, and the mortgagor's title was wholly gone. Equity, however, stepped in to his relief, and recognized a title still existing in the mortgagor, whereby he was allowed a right to redeem the mortgaged property on any subsequent day by paying the debt with interest. This is called the mortgagor's "equity of redemption," a right which is now inseparably connected with every mortgage.

On the other hand, equity gives a remedy, unknown to the common law, by allowing the mortgagee to *foreclose* (as it is called) this equity of redemption. In a foreclosure suit a decree is entered whereby another day is fixed for redemption; and if the mortgagor does not take advantage of the new opportunity thus afforded him, his right is forever gone. The existence of the relation between a mortgagor and mortgagee (which relation is a peculiar one) produces certain consequences which will be noticed in the proper place.

**22. Assignments.**

The last equitable title is that which grows out of the assignment of *choses in action*, which species of property could not be transferred at law, but assignments of which are upheld in equity when they are made for a valuable consideration and do not contravene any rule of public policy. In this case, as in that of trusts, equity creates a new title, co-existent with the legal title, and which (as has been already explained) will be enforced either by compelling the assignor to allow the assignee to use his name in an action at law, or by affording direct relief by bill in equity when any difficulty in bringing the legal action exists. By such assignments, not only *choses in action*, but expectancies, contingent interests, and property to be created or acquired in the future may be transferred, and the title thus acquired will be recognized and protected by chancery courts.

**23. Accident and Mistake.**

Besides creating new titles, independent of legal ownership, equity also affords relief by setting up and enforcing equitable rights in regard to existing legal titles. This is done by virtue of certain doctrines by which common-law rights of enjoyment are modified or controlled. The first of these equities which will be noticed are those of Accident and Mistake.

The relief afforded under the head of Accident springs from the ancient jurisdiction of the court of chancery in what were known as "cases of extremity." It is now exercised principally in three cases: first, in that of lost instruments; secondly, in that of defective execution of powers; and, thirdly, in the case of penalties and forfeitures.

The jurisdiction of equity in cases of Mistake grew out of the great credit which common-law courts gave to a sealed instrument, and to the inability of these courts to afford an adequate redress in all cases of mistake.

Mistakes are of two kinds, mistakes of law and mistakes of fact. As a general rule, mistakes of law cannot be relieved against even in equity; although the tendency is to grant relief in all cases in which there exists any element of misrepresentation or even surprise; but for mistakes of fact, if mutual, material, and not induced by negligence, relief may be had upon a proper case being shown. Such relief is often administered when powers are defectively executed through mistake.

## 24. Fraud—Division of Fraud.

The next equitable rights which will require notice are those which grow out of Fraud.

Fraud, indeed, vitiates transactions at law as well as in equity; but the jurisdiction of chancery is superior to that at common law, for two reasons—first, because in equity fraud has a more extensive signification than at law; and, secondly, because the relief afforded is much more complete.

It is, however, frequently difficult to say with precision what cases fall under the head of fraud as a distinct ground for relief in equity, because fraud so often exists in connection with other reasons for the assistance of a chancellor that it is hard to determine on what particular basis the relief is afforded. Thus, as we have seen, certain kinds of constructive trusts are based upon fraud; in other words, equity considers that, in consequence of certain fraudulent conduct, the relationship of trustee and *cestui que trust* is called into being, and the rights of the parties are determined upon the footing of that relation. The ground of relief, therefore, is both fraud and trust. So, also, certain equitable remedies are founded upon the idea of doing complete justice in cases of fraud. Thus, if a person has been fraudulently induced to sign a bond, equity will not compel the obligor to wait until an action at law is brought thereon, and then make defence, but will afford relief, not only complete, but also immediate, by directing the fraudulent instrument to be delivered up and cancelled. It will be seen, therefore, that this subject of fraud not only furnishes ground for relief at law, but also runs into at least two other distinct heads of equity.

There are, however, certain classes of cases in which fraud alone gives jurisdiction, and it has, therefore, been ordinarily considered as one of the special heads of the jurisdiction of a court of chancery, and will accordingly be so treated in this work.

Another and very important reason for so treating it is the fact that in many states of the Union it is made one of the cases in which equity powers are granted to the courts. In those states, therefore, where these powers are not general, but limited, it is necessarily of no little consequence to determine exactly what is meant by the language of the statute, and therefore to know what is the nature and what the bounds of chancery jurisdiction on this subject.

Fraud has been divided, according to the classification of Lord Hardwicke in *Chesterfield v. Janssen*,<sup>1</sup> for the purpose of convenient consideration, into four classes, viz., 1. Fraud arising from the facts and circumstances of imposition; 2. Fraud arising from the intrinsic matter of the bargain itself; 3. Fraud presumed from the circumstances and condition of the parties contracting; 4. Fraud affecting third persons not parties to the transaction. This classification has been adopted in the present treatise.

### 25. Notice ; Estoppel ; Election.

Growing out of the general subject of fraud is that of Notice, which embraces also the subordinate equities of *bona fide* purchasers, and the application of purchase-money. Notice is a doctrine which is recognized for the purpose of protecting equitable titles. At common law the purchaser of a legal title acquired the absolute property in the subject. In equity, however, if he has notice of an equitable title, he will be considered as a trustee of the legal title for the benefit of the equitable owner. On the other hand, want of notice may be a protection to a purchaser against the assertion of an equitable right. In such a case he sets up the plea of being a *bona fide* purchaser for a valuable consideration without notice; and is thereupon entitled to the favorable consideration of a court of chancery.

Notice may be of two kinds: first, *actual*; and second, *constructive*; and actual notice may again be divided into *direct* or positive notice, and *indirect*, implied, or presumptive notice. The doctrine of *lis pendens* is akin to but not founded on the same reason as that of notice, and will be treated of under the same head. It is (stated briefly) a principle by which a suit in chancery, duly prosecuted in good faith and followed by a decree, is held to bind every person who acquires from a defendant *pendente lite* an interest in the subject-matter of the litigation, and so that such person takes subject to the legal and equitable rights of the plaintiff, as charged in the bill and established by the decree.

Another equity springs, also, from the general head of Fraud, but requires a separate consideration, that, namely, of Estoppel. Estoppel is the agency of the law by which evidence to contro-

<sup>1</sup> 1 Atk. 301; 2 Ves. 125; 1 Lead. Cas. Eq. \*341 (733, 4th Am. ed.).



vert the truth of certain indisputable admissions is excluded.<sup>1</sup> Estoppels, in general, may arise either by matter of record, of deed, or *in pais*. Equitable estoppels fall under the last class, and they grow out of representations which, after they are made, cannot be denied, but must be adhered to by the party making them. The representation which will operate as an estoppel must be one that is either a suggestion of falsehood, or a concealment of truth when there is a duty to speak; it is always external to the transaction; and it may take place either in a transaction effected between the party alleging the estoppel and the party estopped, or in one between the party alleging the estoppel and some third party.

Somewhat akin to the doctrine of estoppel, and therefore properly to be considered in immediate juxtaposition, is the doctrine of Election, by which a party is compelled to choose between inconsistent benefits, and is precluded (after having once exercised his choice) from insisting upon rights which he would otherwise be perfectly free to assert. Thus, if a testator gives money or land to A., and, by the same will, gives something of A.'s to B., here A. must elect either to give effect to the will by allowing B. to have the property which the testator intended should go to him, or to assert his right to his own property, in which case he must make good its value (out of the gift to himself) to the disappointed beneficiary. An election may be either express or implied. In order that the doctrine may be called into play it is necessary that the testator should affect to dispose of property which is not his own, and should also make a valid gift of his own property; and it is further requisite that the two-fold gift should be made by the same instrument. In order to make a valid election the party electing must have adequate information in regard to the values of the two pieces of property between which he is to choose; and he is entitled to the assistance of the court for the purpose of determining the values. As a general rule, an election can be made only by persons *sui juris*, but a court of equity will sometimes elect for the benefit of a *feme covert* or an infant.

## 26. Conversion.

The next equity which will be considered is that of Conversion, by which is meant a change of property from real into

<sup>1</sup> Bigelow on Estoppel, page 453 *et seq* (5th edition).

personal, or from personal into real, not actually taking place, but presumed to exist only by construction or intendment of equity. This result may happen under a will, or by an instrument *inter vivos*. A devise of land to trustees, with imperative directions to sell and divide the proceeds between certain persons, would be an illustration of a conversion under a will; a binding contract for the sale of realty would be an example of the application of the same doctrine to a transaction *inter vivos*. In both cases the land would, in the eye of equity, be considered, for certain purposes of devolution, turned into money from the date of the death of the testator in the one case, and from the date of the contract in the other; and in the event of the death of the beneficiary or the vendor, would be distributable as personalty to the next of kin, and would not descend to the heir as real estate.

To effect a conversion by will it is generally necessary that the words be imperative; and by contract, that its terms should be binding. Certain exceptions, however, to these general rules may occasionally occur.

The purposes for which a conversion is designed sometimes wholly or partially fail, and interesting questions then arise as to the effect of this failure upon the subsequent devolution of the estate. When the failure is total the rule is very simple, as no conversion then takes place. In cases, however, of partial failure, the rules are more difficult of application, and cannot be condensed in a brief synopsis.

The parties interested in an estate directed to be converted may, if they all concur, elect to take it in its present and not in its changed state. By such an election there is effected what is called a re-conversion, by which the property is considered as retained in its actual condition, and is transferable and descendible accordingly. Re-conversion may sometimes, also, be effected by operation of law.

## **27. Adjustment; and herein of Set-Off, Contribution, Subrogation, Exoneration, Marshalling.**

The next class of equitable rights which will require consideration embraces those which may be comprehended under the general head of Adjustment, and which includes the subordinate heads of Set-off, Contribution, Exoneration, Subrogation, and Marshalling. These equities are called into play for the

purpose of securing the orderly and equitable adjustment of liabilities against the parties by whom, and in favor of those to whom, they are justly due; and they all depend upon the general equitable principle that burdens ought to be thrown upon those who should justly bear them, but only in their due proportion and in their proper order, and that benefits should be secured to those who are of right entitled thereto, with a just regard to the rights of others.

The right of Set-off, although it is a right of equitable origin, has, nevertheless, been so effectually introduced by statute both in England and in this country, that the occasions for its application by courts of chancery are exceedingly rare. Mere matters of set-off will not give the court jurisdiction, for such rights can be effectually tried at law; but where there is anything peculiar in the case, so as to render it impossible for exact justice to be done by a court of law under the statutes, a court of chancery will afford relief through the medium of an equitable set-off.<sup>1</sup>

The equity of Contribution arises when one of several parties, who are liable to a common debt or obligation, discharges the same for the benefit of all. In such a case he has a right to call upon his co-debtors for contribution. This right is most frequently exercised in the case of sureties; as is also the equity of Exoneration, which is a right of a person secondarily liable to call upon the party primarily liable, to discharge the debt, or to reimburse him if he has paid it.

The case of suretyship, however, is but an illustration of both of these rights; and the same equities are applicable to other relations out of which joint or successive liabilities have sprung.

The right of Subrogation is an auxiliary equity, called into existence for the purpose of enabling a party secondarily liable, but who has paid the debt, to reap the benefit of any securities which the creditor may hold against the principal debtor, and by the use of which the party paying may thus be made whole.<sup>2</sup> Thus a surety who pays a debt which has been reduced to judgment is entitled to have the judgment kept alive for his benefit, and to enjoy, as against the principal debtor, the advantages which could have been claimed by the judgment-creditor.

None of these equities are founded upon contract, but upon

<sup>1</sup> Porter v. Roseman, 165 Ind. 260.

<sup>2</sup> Forest Oil Co.'s Appeals, 118 Pa. 145.

general principles of equity, and, being all rights of a purely equitable nature, they are subject to the general qualification by which the exercise of all such rights is controlled, viz., that they must not be asserted in such a way, or under such circumstances, as to do violence to the rights and equities of other parties.

The doctrine of Marshalling grows out of the principle that a party having two funds to satisfy his demand shall not, by his election, disappoint a party who has only one fund.<sup>1</sup> Thus, a person who has a mortgage on two parcels of land ought not, in fairness, to resort in the first instance to the parcel upon which there also happens to be a junior mortgage which is not otherwise secured; for in so doing the junior mortgagee might be altogether cut out. Equity, however, is loath to interfere with the rights of a creditor to enforce payment out of any of his securities, and therefore the remedy usually afforded to the junior disappointed mortgagee is to substitute him to the rights of the paramount mortgagee as against the other property.

The doctrine of Marshalling is applied in the administration of estates of debtors both during their lifetime and after their death; although in this country the necessity for its application to the estates of decedents has been very much lessened by the numerous legislative enactments whereby the distribution of the assets of a deceased debtor is regulated and controlled.

## 28. Equitable Liens.

The last equitable rights which will be noticed are Liens. A lien is a right at common law; but it is a right which is inseparable from the possession of the article on which the lien is claimed to exist.

In equity, however, a lien may exist altogether independently of possession, and under circumstances which would give the party no common-law right at all. There are several of these equitable liens, one of the most important of them being the vendor's lien upon real estate for unpaid purchase-money. This lien constitutes a charge upon the estate in the hands of the vendee, but it does not come into actual existence until a bill is filed to assert it. It is recognized in many of the United States; in others, however, it has never existed, or has been

<sup>1</sup> Approved in *Bank of Commerce v. First Nat. Bank*, 150 Ind. 588.

abolished or circumscribed by statute. Equitable liens are also created by deposits of title-deeds, by mortgages and pledges of personal property, and by other contracts which in equity are treated as giving the party for whose benefit they are made distinct rights in specific property instead of general claims against the other party for damages. These liens have been applied to many classes of cases in modern times, and the sphere of their operation may be said to be constantly widening.

### **29. Equitable Remedies ; Specific Performance.**

The next general division of chancery jurisdiction is that of Equitable Remedies; and the first, and one of the most important of these, is Specific Performance.

At common law the general rule was that all injuries were to be redressed by damages; and relief by a restoration of the injured party to the actual enjoyment of the thing or right of which he had been unjustly deprived was never afforded except in the two cases of detinue and replevin. In equity, however, the rule is just the other way. A chancellor always aims at restoring the injured party to the exact position which he ought to have occupied if the wrong had never taken place. One of the means by which this object is attained is the equitable remedy by specific performance, which is, perhaps, most frequently used for the purpose of enforcing contracts for the sale of real estate, although it may be and is applied to other cases in which the common-law remedy is insufficient, by reason of the inadequacy of pecuniary damages, or from the impossibility of estimating them. This equitable remedy, however, is not applied except under certain restrictions and within certain limits.

Thus it is a fundamental principle that specific performance will not be decreed unless the contract sought to be enforced is based on a valuable consideration, for the obvious reason that as the inadequacy of damages is the ground for equitable interference, there can be no such inadequacy where there is no damage sustained, as is the case with a mere volunteer.

Again, the complainant must show either that no damages could be recovered at law, or that the damages which might be recovered would fall short of affording complete redress. The reason for this rule is the obvious one that, if money would operate as a full measure of redress, there is no ground whatever for the interference of a chancellor, as the complainant

can get all he wants at law. It must, moreover, be observed that the jurisdiction to decree specific performance is always exercised subject to general equitable considerations; and that, therefore, a court of equity will not aid a complainant if he has been guilty of laches and negligence, or if equitable considerations interpose upon the other side—such as that the contract is hard and oppressive, or that the condition of things has materially changed, or the like.

Equity will not enforce a contract within the Statute of Frauds (*e. g.*, an agreement to sell real estate), unless it is reduced to writing; but to this rule there are some exceptions. Thus, parol contracts may be enforced where there has been a sufficient part performance of the contract, or where its reduction to writing has been prevented by fraud, or where the contract is admitted by the defendant's answer, and the statute is not set up as a defence.

Equity, also, in applying this equitable remedy, will sometimes call into play subordinate equities, by decreeing specific performance with compensation for defects, and by giving time to make out a title beyond the day fixed in the contract. Upon the principle of specific performance, moreover, parties may be compelled to make good representations upon the faith of which other parties have been induced to act, and, upon the same principle, negative covenants may be enforced in terms.

### 30. Injunctions.

The equitable remedy by Injunction may be described as in a certain sense the complement of the remedy by specific performance; as in the latter case a party is compelled to do what it is his duty to do; whereas by injunction he is restrained from doing that which he ought not to do. Injunctions, however, are sometimes of a mandatory character, in which case they compel the performance of an act, and are, therefore, equivalent to a decree for specific performance. An injunction, in its legal sense, may consequently be defined to be a writ remedial issuing by order of a court of equity, and commanding a defendant to perform some act, or restraining a defendant from the commission or continuance of some act. The writ is, therefore, either mandatory or prohibitory. Injunctions are also either interlocutory, *i. e.*, made during the progress of the cause, or perpetual, *i. e.*, made upon final decree. They are

either *ex parte* or after hearing; and were, formerly, either common or special; but the common injunction is now practically out of use, and all injunctions are special—*i. e.*, granted upon the merits as disclosed by affidavits or other proofs.

The purposes for which injunctions are issued are very numerous, and extend, in fact, over nearly the whole field of equitable jurisdiction. They may be divided into two general divisions, namely, first, those cases in which the writ issues for the purpose of protecting *equitable* rights; and, secondly, those in which the writ issues for the purpose of protecting *legal* rights.

Injunctions are used for the purpose of protecting equitable rights in two ways: in the first place, by enjoining proceedings in the common-law courts, whereby and wherein such rights may be violated or disregarded; and, in the second place, by interposing for the protection of such equities when injury thereto is threatened by other means than through legal proceedings.

Under the first of these heads it is well settled that equity will interfere to restrain proceedings at law whenever, through fraud, mistake, accident, or want of discovery, one of the parties in a suit at law obtains, or is likely to obtain, an unfair advantage over the other, so as to make the legal proceedings an instrument of injustice.

It is difficult, perhaps, to mark out with precision the exact limits within which a court of equity will interfere with proceedings at law; but it may be stated generally that such an injunction will be granted whenever, in the common-law action, an equitable title is not recognized, or an equitable right not enforced, or where exact and complete justice would not be done between the parties by reason of the want of an equitable remedy.

A court of equity, moreover, frequently interferes by injunction for the purpose of preventing unnecessary or vexatious litigation; and this it does in many ways, *viz.*, by compelling a party to elect between two remedies; by restraining a party from bringing an action in another court after a court of equity has once obtained possession of a cause; by putting a stop to repeated attempts to litigate the same question; and by interfering to protect a party who is liable to discharge some debt, duty, or obligation from vexatious suits by two or more parties

severally claiming to be entitled to the benefit of such debt, duty or obligation. Bills to restrain repeated attempts to litigate the same question are termed bills of peace, and are of two kinds, being filed either (first) to prevent the vexatious occurrence of litigation by a numerous class insisting upon the same right, or (second) to prevent the same individual from reiterating an unsuccessful claim. Bills to protect parties who are liable to several claimants in respect of the same debt, duty, or obligation, are called bills of interpleader, and are based upon the ground that a mere stakeholder, who claims no interest, ought not to be troubled by the actions of conflicting parties who do claim an interest. Such a bill, therefore, must show title in two claimants, and it must *not* show any interest in the subject-matter on the part of the party filing it.

Of the second general class of cases in which equity interferes by injunction for the purpose of protecting equitable rights, bills to restrain a trustee from committing breaches of trust, to restrain a partner from a violation of his duty as partner, or to restrain the disclosure of confidential communications or of trade secrets, may be taken as illustrations. In such cases equitable titles and rights, and not those of common law, are infringed; and hence injunctions for the purpose of protecting them fall properly under the first of the two grand classes into which these writs have been divided.

Again, equity will interfere for the purpose of protecting *legal* rights. The occasions which most usually call for the interference of equity for this purpose are cases of waste, trespass, nuisance, patent-right, copyright, literary property, trade-marks, alienation of property pending litigation, transfer of negotiable instruments, protection of property pending litigation, breach of negative covenants, and corporations.

The nature of these injuries and the character of the relief which equity applies in each particular case will be explained.

### **31. Re-execution; Reformation; Rescission; Cancellation.**

Akin to the equitable remedies of specific performance and injunction are those of Re-execution, Reformation, Rescission and Cancellation. All these remedies together embrace, as it were, the complete circle of equitable relief in the case of contracts and duties. Thus, a party may be held to a literal com-



pliance with his contract by a decree for its specific performance; or he may be restrained from a violation of the contract by a writ of injunction; or, finally, if the written paper, which is the evidence of the contract, be lost, a re-execution may be ordered; if the contract has been erroneously expressed, a reformation may be decreed; and if, on the other hand, it has been obtained through fraud, it may be rescinded, and the documentary evidence may be directed to be delivered up and cancelled. Re-execution, reformation, and cancellation are the means whereby the equities of accident, mistake, and fraud are ordinarily worked out. Thus, where instruments are lost through accident, the equitable remedy which is applied is re-execution; where an instrument has been erroneously framed through mutual mistake, so that it does not express the intention of the parties, and the mistake is clearly proved, the redress which is afforded is reformation; while, where a contract has been entered into in ignorance or mistake, or is tainted with fraud, the relief which a chancellor affords is rescission and cancellation.

### **32. Account; Dower; Partition; Confusion of Boundaries; Rent.**

The next equitable remedies which demand consideration are bills for Account, for Dower, for Partition, in cases of Confusion of Boundaries, and for the ascertainment of Rent. Bills for account arose from the inadequacy of the remedies at common law, those remedies being exceedingly limited in their scope and cumbersome in their operation. In the equitable method of procedure, ground is first laid by obtaining discovery (when necessary) from the defendant, and the cause is then referred to a master before whom the account is taken.

Bills for partition and dower also had their origin in the inadequacy of the common-law remedies. The superiority of the chancery practice in these cases is due to the fact that discovery may in this way be had, that masters and commissioners may be appointed to examine and report upon the rights of the parties, and that the decree may be moulded so as to embrace and adjust those rights in the subject-matter of dispute.

The equitable remedy for the ascertainment of boundaries is used when boundaries have become confused through the misconduct of the defendant, or of those under whom he claims:

and a bill for the payment of rent will only lie in extraordinary cases, as where the days of payment are uncertain, or the remedy by distress has been lost without any fault of the owner of the land.

### **33. Partnership Bills ; Creditors' Bills ; Administration Suits.**

The equitable remedy of Partnership Bills is chiefly based upon the necessity for some kind of procedure by which partnership affairs can be wound up and partnership assets administered ; a procedure which, it is manifest, is not afforded by any of the forms of action at common law. Other relief is also incidentally afforded in equity. Thus, accounts are taken, assets are got in and protected, breaches of partnership duty are enjoined, and sales of partnership effects are ordered. A great many desirable results are therefore accomplished in one suit ; and justice is administered not only between the partners, but also between the two sets of creditors which almost invariably exist in such cases, viz., the creditors of the firm and those of individual partners. In settling the conflicting claims of these two classes of creditors, certain equitable doctrines are applied by the courts, which are based mainly upon the general proposition that it is the equity of each partner that firm assets are, in the first place, to be taken to pay firm debts, and that the equities of the creditors are to be worked out through this equity of the partners. These doctrines might, with some propriety, be noticed under the general equity of adjustment ; but their intimate connection with the subject of partnership bills would seem to render their consideration under the head of that equitable remedy still more appropriate.

The equitable remedy by Creditors' Bills is one which has been made use of very frequently in the United States. They are used for the purpose of getting at property of a debtor which cannot be reached at law, either because it has been conveyed away beyond the grasp of an execution, or because it is of such a character that it cannot be seized under a common-law writ. Creditors' Bills may be filed during the lifetime of the debtor, or after his death. In the latter case, they generally result in Administration Suits, as the executor does not usually admit assets ; and, therefore, the decree is not simply for the payment of the creditors by whom the bill has been filed, but for

a general administration of the debtor's estate. Legatees also may come into chancery for the ascertainment of assets and the administration of the estate.

Under administration suits, also, will be considered certain subordinate equities which more frequently arise in bills of this kind; these are the doctrines of Equitable Assets, of Performance, and of Satisfaction. In some instances the importance of these equitable doctrines has ceased by reason of statutory changes in the law.

### 34. Infants; Idiots; Lunatics.

The jurisdiction of the High Court of Chancery in England over the estates of Infants results from a prerogative of the crown as *parens patriæ*. In the United States this jurisdiction is not of as much importance as in England, the persons and estates of minors being generally under the supervision of Orphans' Courts, Surrogates' Courts, or Courts of Probate, whose powers are regulated by statute. Still, in those states where courts of chancery with general equity powers exist, the jurisdiction is still exercised; and in some states such jurisdiction is expressly conferred by statute upon the equity courts. The principal incidents to this jurisdiction are that the ward must be educated under the court's superintendence, that his estate must be managed and applied under the like superintendence, and that his marriage must be with the sanction of the court.

The jurisdiction of the English Court of Chancery in the case of Lunatics and Idiots is peculiar in this respect, viz., that it is not exercised in a regular suit, but by the chancellor personally on petition, and the appeal, if his order be erroneous, is to the king in council, and not to the House of Lords.

This jurisdiction is exercised (in the first place) for the purpose of ascertaining the fact of lunacy; and (secondly) for the support of the lunatic and the management of his estate. The first end is attained by the issuing of a commission in the nature of a writ *de lunatico inquirendo*, under which the question of lunacy is passed upon by a jury; and the second purpose is accomplished by the appointment of a committee to take charge of the person and estate of the lunatic.

The care of the persons and estates of lunatics and idiots is governed in many states by statutes; in some states, however, courts of chancery exercise jurisdiction over the subject.

### 35. Discovery; Commissions to examine Witnesses abroad; Perpetuation of Testimony; Examinations *de bene esse*.

A bill for discovery is one whereby the power of the court is invoked for the purpose of compelling the defendant to discover and set forth upon oath every fact and circumstance within his knowledge, information and belief material to the plaintiff's case. It is an equitable remedy of great antiquity, and was formerly of very great importance, as no power to elicit testimony from a party to a cause existed at common law. At the present day, however, the necessity for the exercise of this equitable remedy has become much less frequent than formerly, as in the federal courts, and in those of most of the United States, and of England, parties are now competent and compellable to testify.

The general right to discovery is fenced about by certain prohibitions and restrictions, whereby the power of the court is prevented from being abused. Thus, in the first place, no person need discover matters tending to criminate himself or to expose him to penalty or forfeiture; in the second place, no one is compellable to discover confidential communications which have passed between him and his legal adviser; and lastly, persons occupying official positions cannot be compelled to disclose matters of state the publication of which would be prejudicial to the community.

Subject to these restrictions, every competent defendant in equity must answer as to all facts material to the plaintiff's case; he must answer to all, and not to a portion only; and he must answer distinctly, completely, and without needless prolixity, and to the best of his information and belief.

A court of equity will not only compel a defendant to answer under oath, but will also, where it is necessary, oblige him to produce books and documents which are in his possession or control, which are material to the complainant's case, and which do not fall within any of the protecting rules mentioned above. In the United States this power is largely exercised by common-law courts under statutory provisions.

Courts of equity also have jurisdiction to issue commissions to examine witnesses abroad; to entertain bills for the perpetuation of testimony when a right cannot be immediately deter-

mined ; and to order examinations *de bene esse* to be used in their own proceedings or in those of other courts.

**36. Bills *quia timet* ; Receivers ; Writs of *ne Exeat* ; Writs of *Supplicavit*.**

The last equitable remedies which require notice are bills *Quia Timet*, the appointment of Receivers, writs of *Ne Exeat*, and writs of *Supplicavit*.

Bills *quia timet* are analogous to the *brevia anticipantia* (writs of prevention) at common law. Their object is to prevent anticipated mischief, or to protect a party from vexatious litigation which is likely to occur. Thus, where a man covenants to save another harmless in respect to certain payments which are to be made from time to time, a bill may be filed, before any breach, for the purpose of obtaining a decree that the defendant shall specifically perform his covenant, and a reference to a master will be directed, to report from time to time any breach that may happen so that action of the court may be at once taken thereon. So also bills may be filed for the purpose of compelling a party who has a *prima facie* right to assert it within a reasonable time. Sometimes, also, bills which are filed for the purpose of removing a cloud from a title may fall under the same class.

Another instance of the preventive remedies of the Court of Chancery is that of the appointment of receivers. These appointments are made for the purpose of preserving property and of preventing threatened or anticipated injury thereto. A receiver is an indifferent person between the parties, appointed by the court to collect and receive the rents, issues and profits of land, or the produce of personal estate, or other things in question, pending the suit, which it does not seem reasonable to the court that either party should do, or where a party is incompetent to do so, as in the case of an infant. The objects sought by such appointments are, in general, to provide for the safety of property pending the litigation which is to decide the rights of litigant parties, or during the minority of infants, or to preserve property in danger of being dissipated or destroyed by those to whom it is by law intrusted, or by persons having immediate, but partial interests therein. This equitable remedy is manifestly founded on the want of any such remedy at common law.

A writ of *ne exeat* is a writ to restrain a person from leaving the jurisdiction ; and was originally used for purposes of state only, but is now extended to private transactions. It operates in the nature of equitable bail. It is mostly used where a suit is commenced in chancery against a party who, designing to defeat the other of his just demand, or to avoid the justice and equity of the court, is about to go beyond the sea, so that the duty will be endangered if he goes. This writ was originally a high prerogative writ, but it has now become an ordinary process of courts of equity, and has been extensively used on both sides of the Atlantic.

A writ of *supplicavit* is a writ granted upon the complaint of a suitor of the court that he is abused and stands in danger of his life, or is threatened with death by another suitor, who is thereupon taken into custody, and must give bail (if the case is made out against him) for good behavior. It will be observed that this writ is in the nature of process to find securities of the peace ; and as this end is now ordinarily attained by other means, the writ of *supplicavit* has fallen into almost total disuse, and has been refused in modern cases because of the completeness of the common-law remedies.

## CHAPTER III.

## MAXIMS IN EQUITY.

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| <p>37. Definition; No right without a remedy.</p> <p>38. Equity follows the Law.</p> <p>39. <i>Vigilantibus non dormientibus Equitas subvenit.</i></p> <p>40. Between equal equities the law will prevail.</p> <p>41. Equality is Equity.</p> <p>42. He who comes into Equity must do so with clean hands.</p> | <p>43. He who seeks Equity must do Equity.</p> <p>44. Equity looks upon that as done which ought to be done.</p> <p>45. Between equal equities priority of time will prevail.</p> <p>46. Equity imputes an intention to fulfil an obligation.</p> <p>47. Equity acts <i>in personam</i>.</p> <p>48. Equity acts specifically.</p> |
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**37. Definition.**

A MAXIM is the embodiment of a general truth in the shape of a familiar adage. There are, in equity, several of these maxims in which the general principles of chancery jurisdiction, and the methods by which they are applied, are thus succinctly expressed.

**I. No right without a remedy.**

The first of these maxims is that equity will not suffer a right to be without a remedy.<sup>1</sup> The principle expressed by this maxim is, indeed, the foundation of equitable jurisdiction, because, as we have seen, that jurisdiction had its rise in the inability of the common-law courts to meet the requirements of justice.<sup>2</sup>

And it may be further observed that equity will not only not suffer a right to be unaccompanied by a remedy, but it will make the remedy, when applied, a complete one. When a

<sup>1</sup> Story's Equity Jurisp. § 684 a; 1 Fonb. Eq. B. 1 Ch. 3, § 3, note f. For illustrations, see *Pelton v. Place*, 71 Vt. 430; *Swearingen v. Steers*, 49 W. Va. 312; and *Peterson v. Vanderburgh*, 77 Minn. 218. Of course the operation of this maxim may be, and is, limited by other equitable considerations, such as laches, want of good faith, etc., some of which will be found explained in other maxims (*infra*). See the remarks o

Williams, J., in *Powers' Appeal*, 125 Pa. 186.

<sup>2</sup> *Allen v. Elder*, 76 Ga. 674; *Pratt v. Kendig*, 128 Ill. 293; *Towns v. Smith*, 115 Ind. 480; *Folsom v. McCague*, 29 Neb. 124; *Britton v. Royal Arcanum*, 46 N. J. Eq. 102; *Piper v. Hoard*, 107 N. Y. 73; *Currie v. Clark*, 101 N. C. 321; *Helmick v. Davidson*, 18 Or. 456; *Livey v. Win-*; 30 W. Va. 554; *Thomson v. ith*, 64 N. H. 412.

court of chancery acquires jurisdiction for any purpose it will, as a general rule, proceed to determine the whole cause, although in so doing it may decide questions which, standing alone, would furnish no basis of equitable jurisdiction.<sup>1</sup> For example: Courts of equity have no jurisdiction to give damages or compensation when these constitute the sole grounds of the bill.<sup>2</sup> But where the bill seeks other relief which can be had in equity alone, and damages are incidental to this relief, equity, having proper possession of the cause for the purpose of relief which is purely equitable, will proceed to determine the whole case.<sup>3</sup> It needs no other court to finish its work.<sup>4</sup> And the Supreme Court of the United States has gone so far as to hold that where jurisdiction in equity has been acquired under a bill filed to enjoin, upon equitable grounds, a sale under an execution at law, and the facts proved do not warrant an injunction, the court may, under a cross-bill filed in the cause, decree the payment of the debt whereof the collection was sought to be enjoined.<sup>5</sup>

<sup>1</sup> *Natbrow v. Thornton*, 10 Ves. 159; *Jesus Coll. v. Bloom*, 3 Atk. 262; *McGowin v. Remington*, 12 Pa. 56; *Brooks v. Stolley*, 3 McLean, 523; *Gunning v. Sorg*, 214 Ill. 616; *Braithwaite v. Henneberry*, 222 Ill. 50; *Chicot Lumber Co. v. Dardell*, 84 Ark. 140; *Walters v. Farmers' Bank of Va.*, 76 Va. 12; *Pearson v. Darrington*, 21 Ala. 169; *Eagan v. Conway*, 115 Ga. 130; *Franklin Ins. Co. v. McCrea*, 4 Green (Ia.), 229; *Gates v. Paul*, 117 Wis. 170; *Handley's Executor v. Fitzhugh*, 1 A. K. Marsh. 24; *Keeton v. Spradling*, 13 Mo. 321; *Armstrong v. Gilchrist*, 2 Johns. Cas. 424; *Sanborn v. Kittredge*, 20 Vt. 632; *Wilhelm's Appeal*, 79 Pa. 120, note the distinction between *McGowin v. Remington* (*supra*) and *Ahl's Appeal*, 129 Pa. 63, where the equity failed for want of proof, and the court refused to retain the bill solely for the purpose of enforcing a common-law demand. See, also, *Burrows v. Leech*, 116 Mich. 32, where relief was refused, and *Graeff v. Felix*, 200 Pa. 139.

<sup>2</sup> *Story's Eq. Jurisp.* § 794.

<sup>3</sup> *Ferson v. Sanger*, Davies, 252; *White v. Fratt*, 13 Cal. 521; *Wiswall v. McGown*, 2 Barb. 270; *Shepherd v. Sanford*, 3 Barb. Ch. 127; *Howard v. Jones*, 5 Ired. Eq. 75; *Anderson v. Arrington*, 1 Jones Eq. 215. See, also, *Taylor v. The Insurance Company*, 9 How. 404. See *Com. Mut. Ins. Co. v. Union Mut. Ins. Co.*, 19 How. 318; *Van Rensselaer v. Van Rensselaer*, 113 N. Y. 207; *Martin v. Martin*, 44 Kan. 295; *Maryland Home Ins. Co. v. Kimmell*, 89 Md. 437; *Latimer v. Irish-American Bank*, 119 Ga. 887; *Kawanakoa v. Puahi*, 14 Haw. 72; *Kelly v. Galbraith*, 186 Ill. 593; *Lyle v. Addicks*, 62 N. J. Eq. 123. But see *Barth v. Deuel*, 11 Colo. 494; *Dismal Swamp Land Co. v. Macauley*, 85 Va. 16.

<sup>4</sup> *Odd Fellows' Savings Bank's Appeal*, 123 Pa. 356.

<sup>5</sup> *Chicago, Milwaukee & St. Paul Ry. Co. v. The Third Nat. Bank of Chicago*, 134 U. S. 276. See, also, *North British and Mercantile Ins. Co. v. Lethrop*, 25 U. S. App. 443.



Whenever, therefore, an infringement of legal rights of a civil, as distinguished from a criminal, nature exists, for which there is no other adequate remedy, a court of chancery will be ready to afford one, and to make that remedy complete.<sup>1</sup>

Some qualifications are to be attached to the maxim now under consideration. In the first place, the right must be one of which municipal law can take cognizance, and not one which falls merely within the scope of moral law. There are matters in which a man is answerable in *foro conscientiæ* alone and with these equity cannot interfere. Thus, while the jurisdiction of courts of equity in questions of fraud is very broad, it nevertheless does not pretend to set aside a transaction simply because it is dishonorable or opposed to that delicate sense of right which every conscientious man ought to have. In other words, equity does not pretend to enforce all the principles of sound morals. "It cannot," to quote the language of the Supreme Court of the United States,<sup>2</sup> "assume control over that large class of obligations called imperfect obligations, resting upon conscience and moral duty only, unconnected with legal obligations."<sup>3</sup>

On the other hand, equity will not dismiss the bill simply because the *motives* of the plaintiff may be contrary to the rules of morality or the doctrines of Christianity. If the law concerned itself with the motives of parties, new complications would be introduced into suits which might seriously obscure their real merits. If a debt secured by mortgage is justly due, it is no defence to a foreclosure that the mortgagee was animated by hostility or other bad motives.<sup>4</sup>

*Newlove v. Pennock*, 123 Mich. 260. See, however, *Ahl's Appeal*, 129 Pa. 63; *Mack v. McIntosh*, 181 Ill. 633, and *Denny v. McCown*, 34 Oreg. 47.

<sup>1</sup> See *American School of Magnetic Healing v. McAnnulty*, 187 U. S. 94-110, where it was held that when a postmaster refused to deliver mail matter to the complainant, the latter was entitled to an injunction to prohibit the further withholding of his letters, on the ground that such relief was the only adequate remedy for such an injury.

<sup>2</sup> *Rees v. City of Watertown*, 19

Wall. 121. See also *Stewart v. Stewart*, 207 Pa. 59; *Aspden v. Seddon*, L. R. 1 Ex. D. 496, 10 Ch. 394; and *Gard v. Gard*, 108 Cal. 19; *Hoopes v. Ebel*, 37 Pa. Sup. 467.

<sup>3</sup> "I do not understand that equity, even under the benign administration of the longest-footed chancellor, undertakes to enforce moral obligations in the length and breadth of the Golden Rule, and it is important that we should keep its boundaries carefully marked." Per Mitchell, J., in *Hoffner's Est.*, 161 Pa. 331-344.

<sup>4</sup> *South Dakota v. North Carolina*, 192 U. S. 286, 311.

In the second place, equity will not afford relief where there has always been a full, adequate and complete remedy at law.<sup>1</sup> In such a case there is no ground for interference by equity.<sup>2</sup>

Thus a bill in equity will not lie simply to recover possession of land, because for this there is a complete remedy at common law by ejectment. Such bills have been termed "Ejectment Bills," and are demurrable.<sup>3</sup> Again: While equity, as will be hereafter seen, may in certain cases restrain acts of destructive trespass by injunction, yet this is done only in those cases in which redress by the common-law action of trespass would be inadequate, and consequently equity will decline to interfere whenever the damages given in the common-law action would furnish an effectual redress.<sup>4</sup>

<sup>1</sup> *Clark v. Allen*, 87 Ala. 198; *Nease v. Ins. Co.*, 32 W. Va. 283; *Keokuk & N. W. Ry. Co. v. Donnell*, 77 Ia. 221; *Kilbourn v. Sunderland*, 130 U. S. 505; *Ostrander v. Weber*, 114 N. Y. 95; *Lime & Cement Co. v. Citizens' Bank*, 158 Mo. 272; *Sprigg v. Com. Tit. Ins. & Tr. Co.*, 206 Pa. 548.

<sup>2</sup> See *Gallagher v. Fayette Co. R. R. Co.*, 38 Pa. 102; *Bonebright v. Pease*, 3 Mich. 318; *Ellis v. Davis*, 109 U. S. 485; *Kimbal v. Grafton Bank*, 20 N. H. 347; *Kyle v. Frost*, 29 Ind. 382; *Koockogey v. Flewellen*, 14 Ga. 608; *Drew v. Hayne*, 8 Ala. 438; *Patterson v. Lane*, 35 Pa. 275; *Woodbridge v. Irslee*, 37 N. J. Eq. 397; *Foster v. Swasey*, 2 Wood. & M. 217; *Coombe v. Meade*, 2 Cr. C. Ct. 547; *Smith v. Short*, 11 Ia. 523; *Clayton v. Cary*, 4 Md. 26; *McCullough v. Walker*, 20 Ala. 389; *Wolcott v. Robbins*, 26 Conn. 236; *Douglass v. Martin*, 103 Ill. 25; *Young v. Young*, 9 B. Mon. 66; *Green v. Spalding*, 76 Va. 411; *Wordekoff v. Evers*, 18 Fla. 339; *Buckner v. Chicago, M. & A. Ry. Co.*, 56 Wis. 403; *Viek v. Percy*, 15 Miss. 256; *Shotwell v. Lawson*, 30 Id. 27; *Bobb v. Woodman*, 42 Mo. 482; *Milton v. Hogue*, 4 Ired. Eq. 415; *Struther v. Belsey*, 79 Ill. 307; *Bru-*

*ner v. Meigs*, 64 N. Y. 506; *Pratt v. Longworth*, 27 Ohio St. 159; *Frus v. Loring*, 120 Mass. 507; *Cole v. Colly*, 37 N. H. 48; *Barton v. Long*, 45 N. J. Eq. 841; *United States v. Northwest Trading Co.*, 1 Alaska, 5; *School District v. Rice*, 11 Idaho, 99; *Southern Pacific R. R. Co. v. United States*, 200 U. S. 341. The rule that the nonexistence of a plain, speedy and adequate remedy at law is a ground for equity jurisdiction does not apply where the denial of a legal remedy is from considerations of public policy. *Adams v. Murphy*, 165 Fed. 305.

<sup>3</sup> *Renison v. Ashley*, 2 Ves. Jr. 461; *Loker v. Rolle*, 3 Id. 4; *Whitehead v. Shattuck*, 138 U. S. 150; *Nor. Pac. R. R. Co. v. Amaeker*, 7 U. S. App. 33-46; *Sanders v. Devereux*, 19 U. S. App. 630; *Palmer v. Sinnickson*, 59 N. J. Eq. 530; *Cole v. Mette*, 65 Ark. 503; *Hecht v. Colquhoun*, 57 Md. 563; *Odle v. Odle*, 73 Mo. 289; *Whitney v. Stevens*, 97 Ill. 487; *Tillmes v. Marsh*, 67 Pa. 510; *North Shore R. R. Co. v. P. Ft. W. & C. Ry. Co.*, 193 Pa. 644; *O'Neil v. McKeesport*, 201 Id. 386; *Williams v. Fowler*, 201 Id. 336; *Jones v. Fox*, 20 W. Va. 370; *Scanlin v. Conshohocken*, 209 Pa. 48.

<sup>4</sup> *Clark's Appeal*, 62 Pa. 450;

To give still another illustration: Where personal property is wrongfully converted, and a right to damages consequently accrues to the owner, or where the cause of action is for the payment of a sum of money merely, there is no reason why a court of equity should be resorted to.<sup>1</sup> An action at law in such a case is the appropriate remedy, for it affords complete redress for the wrong complained of.<sup>2</sup>

Therefore on the like principle, where a bill was filed by a purchaser of certain merchandise to enjoin a seller who refused to deliver the subject of the sale from selling to any one else, the bill should have been promptly dismissed.<sup>3</sup>

And even if the want of jurisdiction in such cases is not raised by the pleadings, the court nevertheless may, and not infrequently does, *sua sponte*, take the objection and dismiss the bill.<sup>4</sup>

This exception to the general maxim applies to the case of a defendant as well as to that of a plaintiff, and if an action at law on an instrument in writing can be fully defended on the ground that it was obtained by fraud, the defendant cannot (as a rule) file a bill for the cancellation and surrender of the document.<sup>5</sup>

Equity, it may be here observed, has no jurisdiction to try the title to a public office. This is done under a writ of *quo warranto*. Therefore a court of chancery will not ordinarily entertain a bill to enjoin a defendant from performing the duties of a public office on the ground that he has no title to the office. The remedy is at law.<sup>6</sup> There may, however, be exceptional cases.<sup>7</sup>

Grubb's Appeal, 90 Id. 228; Kistler v. Weaver, 135 N. C. 388.

<sup>1</sup> Raton Water Works Co. v. Raton, 174 U. S. 360.

<sup>2</sup> Lacombe v. Forstall's Sons, 123 U. S. 570.

<sup>3</sup> Mundy v. Brooks, 204 Pa. 232.

<sup>4</sup> The Keokuk & N. W. Ry. v. Donnell, 77 Ia. 225; Humphreys v. Atlantic Milling Co., 98 Mo. 551; Southern Pacific R. R. Co. v. United States, 200 U. S. 341; Hipp v. Babin, 19 Howard, 271; Small v.

Lutz, 34 Ore. 131. *Contra*, Osterlander v. Weber, 114 N. Y. 102.

<sup>5</sup> Cable v. U. S. Life Ins. Co., 191 U. S. 309; Des Moines Life Ins. Co. v. Seifert, 210 Ill. 157. See *post*, sections 472, 473, 474, Part III., Chap. III.

<sup>6</sup> Att. Gen. v. Clarendon, 17 Ves. 491; *In re Sawyer*, 124 U. S. 213; Tappan v. Gray, 7 Hill, 259; Cochran v. McCleary, 22 Ia. 75; Stenglein v. Saginaw Circuit Judge, 128 Mich. 440; Blain v. Chippewa, 145

<sup>7</sup> Stenglein v. Saginaw Cir. Judge, 128 Mich. 440; Poynts v. Shackel-

ford, 107 Ky. 546; Marshall v. State Reformatory, 201 Ill. 9.

When the jurisdiction of courts of chancery depends upon precise statutory regulations, the operations of this maxim are, of course, controlled by the language of the particular legislative provision by which it is regulated.<sup>1</sup> And so where a case, formerly cognizable in chancery alone, is, by statute, brought within the scope of common-law jurisdiction, the equitable jurisdiction may sometimes be ousted. Thus, it has been decided in some states that the power conferred by statute of calling the opposite party as a witness in common-law actions has taken away the jurisdiction by bills for discovery in chancery.<sup>2</sup> But under the statutes in several other states and in England a different rule prevails.<sup>3</sup>

Nor does the mere fact that, in the particular case before the court, the legal remedy has failed, justify the interposition of a court of equity. Thus, in *Rees v. City of Watertown*,<sup>4</sup> a bill was filed by a holder of certain municipal bonds, setting

Mich. 59; *Marshall v. State Reformatory*, 201 Ill. 91; *Gilroy's Appeal*, 100 Pa. 5; *Brower v. Kantner*, 190 Pa. 185; *State ex rel. v. Aloe*, 152 Mo. 466; *Dist. Twp. of Grove v. Myles*, 109 Ia. 541; *Ward v. Sweeney*, 106 Wis. 44; *Tupper v. Dart*, 104 Ga. 179; *Landes v. Walls*, 160 Ind. 216; *Little v. City of Bessemer*, 138 Ala. 127; *School District v. Cowgill*, 76 Neb. 317; *People v. Howe*, 177 N. Y. 499; *Howe v. Dunlap*, 12 Okla. 467; *Lawson v. Hays*, 39 Col. 250.

<sup>1</sup> See *Boycet v. Grundy*, 3 Peters, 215; *Oelrichs v. Spain*, 15 Wall. 228; *Grand Chute v. Winegar*, Id. 375; *Woodman v. Freeman*, 25 Me. 631; *Clark v. Robinson*, 58 Id. 137; *Jones v. Newhall*, 115 Mass. 244; and *ante*, pp. 21 and 22 and notes.

<sup>2</sup> *Hall v. Joiner*, 1 S. C. (N. S.) 186; *Riopelle v. Doellner*, 26 Mich. 102; *McGough v. Ins. Bank*, 2 Ga. 151; *Woodward v. Woodward*, 148 Mo. 241.

<sup>3</sup> *Shotwell's Adm'rx v. Smith*, 20 N. J. Eq. 79; *Miller v. U. S. Casualty Co.*, 61 Id. 110; *Cannon v. McNab*, 48 Ala. 99; *Millsapps v. Pfeiffer*,

44 Miss. 805; *Lovell v. Galloway*, 17 Beav. 1; *British Empire Shipping Co. v. Somes*, 3 K. & J. 433; *Snell's Eq.* 519; *Smith's Outline of Eq.* 483; and see *post*, § 175. See, also, upon the general subject as to how far equity will retain its jurisdiction, notwithstanding similar jurisdiction has been conferred upon common-law courts: *Waldron v. Simmons*, 28 Ala. 629; *Bright v. Newland*, 4 Sneed, 440; *King v. Payan*, 18 Ark. 283; *People v. Houghtaling*, 7 Cal. 348; *Crain v. Barnes*, 1 Md. Ch. 151; *Payne v. Bullard*, 23 Miss. 88; *Clark v. Henry's Adm'r*, 9 Mo. 339; *Wells v. Pierce*, 7 Foster, 503; *Irick v. Black*, 17 N. J. Eq. 189; *Force v. The City of Elizabeth*, 27 Id. 408; *Oliveira v. University*, Phillips's Eq. 69.

On the other hand, where equity powers, which were not previously enjoyed, are conferred upon courts by statute, such gift does not affect the exercise of relief under common-law forms. *Ayeinena v. Peries*, 6 W. & S. 257; *Biddle v. Moore*, 3 Pa. 161; *Church v. Ruland*, 64 Id. 441.

<sup>4</sup> 19 Wall. 121.

forth that he had obtained judgment thereon, and that he had failed to obtain satisfaction by process of *mandamus*. The bill prayed that the taxable property of the citizens, which was (it alleged) a trust-fund for the payment of the city's debts, might be subject by the decree to the payment of the complainant's judgments, and that the marshal of the district might be empowered to seize and sell so much of it as might be necessary for that purpose. But the court refused the relief on the ground that the proper remedy was by *mandamus*, and that the mere circumstance that *that* remedy had failed, in the particular case, did not give a court of chancery jurisdiction. The same ruling was made in *Heine v. The Levee Commissioners*,<sup>1</sup> where it was said that the total failure of ordinary remedies did not confer upon the court of chancery an unlimited power to give relief, and that neither such failure nor the hardship of the case allows a court of equity to administer abstract justice at the expense of well-settled principles.<sup>2</sup>

But if a court of equity has originally assumed jurisdiction over a particular class of cases, it will not, as a general rule, be ousted from that jurisdiction simply because, in the progress of common-law improvement, redress comes to be subsequently attainable at law.<sup>3</sup>

Moreover, the remedy at law must be plain, adequate, and complete, otherwise the jurisdiction of a court of equity will attach.<sup>4</sup> Thus in *Watson v. Sutherland*,<sup>5</sup> where goods in the

<sup>1</sup> 19 Wall. 658.

<sup>2</sup> See, also, *Carlton v. Salem*, 103 Mass. 143; *Heilman v. The Union Canal Co.*, 37 Pa. 100; *Dowell v. Mitchell*, 105 U. S. 432.

<sup>3</sup> *Kemp v. Pryor*, 7 Ves. Jr. 249; *Bromley v. Holland*, Id. 19; *Wesley Church v. Moore*, 10 Pa. 273, 279, 280; *Sweeney v. Williams*, 36 N. J. Eq. 627; *Schroeder v. Loeber*, 75 Md. 195; *Maloney v. Terry*, 70 Ark. 190; *Herring v. Wilton*, 106 Va. 171.

<sup>4</sup> *Jones v. Newhall*, 115 Mass. 244; *Story's Eq.* § 33. See, also, *Thompson v. Allen County*, 115 U. S. 550;

*Madison Av. Church v. Madison Av. Church*, 26 How. Pr. 72; *City of Hartford v. Chipman*, 21 Conn. 488; *Scott's Adm'rx v. Scott*, 33 Ga. 102; *Skilton v. Webster, Bright*, 203; *Kirkpatrick v. McDonald*, 11 Pa. 392; *Bank of U. S. v. Biddle*, 2 Pars. Eq. Cases (Pa.), 31; *Johnston v. Price*, 172 Pa. 427; *Sweeney v. Williams*, 36 N. J. Eq. 627; *Hay v. Alexandria R. R. Co.*, 1 Hugh, 168; *Cadigan v. Brown*, 120 Mass. 403; *Richardson v. Brooks*, 52 Miss. 118; *Courtwright v. Burns*, 3 McCrary C. C. 60; *Clark v. Allen*, 87 Ala. 198; *Wal-*

<sup>5</sup> 5 Wall. 74. Followed in *North v. Peters*, 138 U. S. 281; *Flaccus v. Smith*, 199 Pa. 128, 136; *Philan*

*v. Smith*, 22 Wash. 397; and *Hally v. Ingersoll*, 14 S. Dak. 7. See, also, *Hall v. Nester*, 122 Mich. 141.

possession of B. were levied on as the property of A., and the result of the levy would have been to ruin the credit and break up the business of B., the court enjoined the execution-creditor, on the ground that the damages which could have been recovered in a common-law action by B. would have been entirely inadequate to compensate him for the loss he would sustain.

The jurisdiction in equity, in fine, attaches unless the legal remedy, both in respect to the final relief and the mode of obtaining it, is as efficient as the remedy which equity would confer under the same circumstances.<sup>1</sup>

In the third place, equity is concerned only with questions which affect *property*, and it exercises no jurisdiction in matters of wrongs to the person or to political rights, or because the act complained of is merely criminal or illegal.<sup>2</sup>

ker v. Daly, 80 Wis. 222; Pinkum v. Eau Claire, 81 Id. 301; Schneider v. City of Rochester, 160 N. Y. 165; Lowman v. Crawford, 99 Va. 688; Board v. Spangler, 159 Ind. 575.

The adequate remedy at law which will deprive a court of equity of jurisdiction is a remedy as certain, complete, prompt, and efficient to attain the ends of justice as the remedy in equity. Farwell v. Colonial Trust Co., 147 Fed. 480.

No adequate remedy at law exists to redress the wrong done to a railroad company by wrongfully dealing in vast numbers of its non-transferable reduced rate excursion tickets which will deprive the company of its right to resort to equity to restrain such wrong dealings. Bitterman v. Louisville & Nashville R. R., 207 U. S. 205.

<sup>1</sup> By Chief Justice Fuller in Kilbourn v. Sunderland, 130 U. S. 514. See Weiss Malting & Elevator Co. v. Hower, 14 U. S. App. 210; Walla Walla v. Walla Walla Water Co., 172 U. S. 12; United States Life Ins. Co. v. Cable, 39 C. C. A. 264; Miller v. Drane, 100 Wis. 1; Richardson Drug Co. v. Mayer, 54 Neb.

319; Gregg v. Thurber, 69 N. H. 480; South Portland Land Co. v. Munger, 36 Oreg. 457; Gray v. Citizens' Gas Co., 206 Pa. 303; Hacke's Appeal, 101 Id. 245; Garvey v. Refractories Co., 213 Id. 182; Palmer v. Board of Education, 220 Pa. 568; Pa. R. R. Co. v. Bogert, 209 Pa. 589.

<sup>2</sup> World's Columbian Expos'n Case, 18 U. S. App. 159; Green v. Mills, 25 Id. 394; Boston Diatite Co. v. Florence Manufg. Co., 114 Mass. 70; Fletcher v. Tuttle, 151 Ill. 41; *In re Sawyer*, 124 U. S. 210; Davis, etc., Co. v. Los Angeles, 189 U. S. 217; approved in Dobbins v. Los Angeles, 195 U. S. 241; State of Mississippi v. Johnson, 4 Wall. 475; Kirwan v. Murphy, 189 U. S. 54; Giles v. Harris, Id. 487; Sparhawk v. Union Pass. Ry. Co., 54 Pa. 401; Osborn v. Charlevoix Circuit Judge, 114 Mich. 658; Downes v. Bennett, 63 Kan. 653; Riverside Co. v. San Bernardino County, 134 Cal. 517; Hatfield v. DeLong, 156 Ind. 207; *post*, §§ 412, 424, 465 and note to the last-named section; Brown v. Mayor, 140 Ala. 590; City of Chicago v. Chicago City Ry. Co., 222 Ill. 580; Shoemaker v. City, 129 Ia. 244;

In the fourth place, equity will not give a remedy in direct contravention of a positive rule of law.<sup>1</sup> The doctrine of equity upon this subject is thus illustrated by Mr. Justice Blackstone: "Hard," he says, "was the case of bond-creditors whose debtor devised away his real estate; rigorous and unjust the rule which put the devisee in better condition than the heir; yet a court of equity had no power to interfere. Hard is the common-law still subsisting that land devised or descending to the heir should not be liable to simple contract debts of the ancestor or deviser, although the money was laid out in purchasing the very land; and that the father shall never immediately succeed as heir to the real estate of the son. But a court of equity can give no relief, though in both these instances the artificial reason of the law arising from feudal principles has long since ceased."<sup>2</sup>

This rule is recognized to its full extent in the equity jurisprudence of the United States. If a transaction is condemned under the force of legal rules, it cannot receive a more favorable consideration in a court of equity on account of any hardship to particular parties; and legal rights acquired by the prosecution of a lawful demand in a lawful way will not be disturbed by a chancellor.<sup>3</sup>

It may be added here, that where the amount in controversy is very trivial, equity will not take cognizance of the cause.<sup>4</sup>

### 38. II. Equity follows the Law.

The second maxim which will be noticed is that equity follows the law. The meaning of this maxim is that equity applies to equitable titles and interests those rules of law by which legal

*Winnett v. Adams*, 71 Neb. 817; *State v. Dunbar*, 48 Or. 109; *Littleton v. Burgess*, 14 Wyo. 173.

The use of voting machines at elections relates to the exercise of a purely political right with which courts of equity have no power to interfere by injunction. *U. S. Voting Machine Co. v. Hobson*, 132 Iowa, 38.

<sup>1</sup> See *Magniac v. Thomson*, 15 How. 281; *Hedges v. Dixon Co.*, 150 U. S. 182-192.

<sup>2</sup> 3 Black. Com. 430.

<sup>3</sup> *Burke v. Murphy*, 27 Miss. 167; *McCourtney v. Sloan*, 15 Mo. 95; *State v. McBride*, 76 Ala. 51; *Nelson*

*v. Hamner*, 84 Va. 909; *Fricke v. Safe Dep. Co.*, 183 Pa. 276.

<sup>4</sup> *Moore v. Lyttle*, 4 J. C. R. 183; *McNew v. Toby*, 6 Humph. 27. See, also, *Cowan v. Jones*, 27 Ala. 317; *Chapman v. B. & T. Pub. Co.*, 128 Mass. 478; and *Ocean City R. R. Co. v. Bray*, 55 N. J. Eq. 101, where the court refused to enjoin the construction of a railroad at the suit of a landowner where the land taken was worth only five dollars! *Kelagher v. English*, 62 N. J. Eq. 674; *Robertson v. Lewie*, 77 Conn. 345; *Giragomian v. Chutjian*, 194 Mass. 504.

titles and interests are regulated, provided this can be done in a manner not inconsistent with the equitable titles and interests themselves.<sup>1</sup> Thus equitable estates are subject to the same laws of inheritance as legal estates, and their devolution is the same. And so, as at common law, the husband was entitled absolutely to his wife's chattels in possession, he is in like manner considered entitled to chattels of which she is the equitable owner. But where the property is settled to the separate use of a *feme covert*, equity will not suffer the title of the husband to be asserted, for to do so would be to defeat the title which has been created in equity for the benefit of the wife. In the case of executory trusts, also, equity will sometimes refuse to apply the strict rules by which legal estates are controlled; but this is because such trusts are in an inchoate condition, and the exact quality and duration of the estate are not, in them, strictly defined.

Equity also may be said to follow the law when rights in equity are considered barred by lapse of time in analogy to the statutes of limitations.<sup>2</sup>

### 39. III. *Vigilantibus non dormientibus Æquitas subvenit.*

Another maxim is *vigilantibus non dormientibus æquitas subvenit*, the meaning of which is sufficiently obvious. It is designed to provoke diligence, to punish laches, and to discourage the assertion of stale claims.<sup>3</sup> By virtue of this maxim such claims are rejected in equity, independently of any statute

<sup>1</sup> A somewhat different version of this maxim was given in *Magniac v. Thomson*, 15 How. 281, namely, that "wherever the rights or the situation of parties are clearly defined and established by law, equity has no power to change or unsettle those rights or that situation." And see *Hedges v. Dixon Co.*, 150 U. S. 182-192. See Article in 66 Cent. Law Jr. 177. But this proposition might, it seems, more properly fall under the fourth qualification of the first maxim. *Ante*, p. 59.

<sup>2</sup> See *Lansing v. Starr*, 2 J. C. R. 150; *Boone County v. Burlington & Missouri River R. R.*, 139 U. S. 693; *Bickel's Appeal*, 86 Pa. 204; *Taylor*

*v. Slater*, 21 R. I. 104; *Redford v. Clarke*, 100 Va. 115; and *post*, § 203.

<sup>3</sup> *Lacon v. Briggs*, 3 Atk. 105. See *Ellison v. Moffatt*, 1 Johns. Ch. 46; *Price's Appeal*, 54 Pa. 472; *Germantown Pass. Railway Co. v. Fitler*, 60 Id. 133; *Waterman v. Sprague Mfg. Co.*, 55 Conn. 554; *Truesdell v. Lehman*, 47 N. J. Eq. 218; *Cooke v. Barrett*, 155 Mass. 413; *Davidson v. Mayhew*, 169 Mo. 258; *Wolf v. Great Falls Water Co.*, 15 Montana, 49; *Raymond v. Flavel*, 27 Oregon, 219; *Hall v. Nash*, 33 Colo. 508; *Smick v. Beswick*, 113 Ky. 439; *Sawyer v. Cook*, 188 Mass. 163; *Stevenson v. Boyd*, 153 Cal. 630.



of limitations.<sup>1</sup> In many cases equitable relief depends upon the discretion of the chancellor, and the laches of the complainant is often one of the most important of the elements which are taken into consideration when that discretion is exercised.<sup>2</sup>

Courts of equity sometimes consider themselves bound by the statutes of limitation; in other cases they act by analogy only.<sup>3</sup> But lapse of time and the staleness of a claim may constitute a defence in courts of equity even where no statute of limitation governs the case. This defence is peculiar to chancery courts, which in such cases act upon their own inherent doctrine of discouraging, for the peace of society, antiquated demands, and refuse to interfere where there has been gross laches in prosecuting the claim, or long acquiescence in the assertion of adverse rights.<sup>4</sup>

<sup>1</sup> Smith's Eq. 19; Hill on Trustees, 169, note; Smith v. Turley, 32 W. Va. 14.

<sup>2</sup> See Ruckman v. Cory, 129 U. S. 387; Hovey v. Bradbury, 112 Cal. 620, and Lamberton v. Youmans, 84 Minn. 109, for cases in which it was held that the maxim ought *not* to be applied.

<sup>3</sup> See and consider Fullwood v. Fullwood, 9 Ch. Div. 176; Richardson v. Gregory, 126 Ill. 166; Williams v. Neely, 134 Fed. 1.

<sup>4</sup> Badger v. Badger, 2 Wall. 94; Speidel v. Henrici, 120 U. S. 387; Richards v. Mackall, 124 Id. 183; Underwood v. Dugan, 139 Id. 383; Galliher v. Cadwell, 145 Id. 372; Abraham v. Ordway, 158 Id. 420; Wheeling Bridge and Terminal Ry. Co. v. Reyman Brewing Co., 32 C. C. A. 577; Gibson v. Herriott, 55 Ark. 85; Rabe v. Dunlap, 51 N. J. Eq. 40; Wagner v. Sanders, 62 S. C. 73. It has been said that the rule of the bar of the statutory period in equity seems to be that an equitable remedy to enforce a legal vested right or interest, as distinguished from a mere equitable right, is not affected by laches merely, short of the common-law bar. *In re Maddever*, 27 Ch. D.

527-532; Clarke v. Hart, 6 H. L. Cas. 646-654; Campbell v. Seaman, 63 N. Y. 584-5; Hale v. Coffin, 57 C. C. A. 528. See, also, Agens v. Agens, 50 N. J. Eq. 566; Colton v. Depew, 60 Id. 454; Burne v. Partridge, 61 Id. 434; Gordon v. Johnson, 186 Ill. 18; Baker v. Cummings, 169 U. S. 206; Speck v. Pullm. Pal. Car Co., 121 Ill. 33; St. Paul, Minn. & M. Ry. Co. v. Eckel, 82 Minn. 278; McMillan v. McMillan, 184 Ill. 230; Loomis v. Missouri Pac. Ry. Co., 165 Mo. 469; Old Times Co. v. Casey, 104 Ky. 616; Loomis v. Rosenthal, 34 Oreg. 585; Stevenson v. Boyd, 153 Cal. 630.

"But the weight of authority is the other way, and we consider the better rule to be that even if the statute of limitations be made applicable in general terms to suits in equity and not to any particular defense, the defendant may avail himself of the laches of the complainant notwithstanding the time fixed by the statute has not expired." *Patterson v. Hewitt*, 195 U. S. 319. See *Scruggs v. Decatur Mineral & Land Co.*, 86 Ala. 173; *Bliss v. Prichard*, 67 Mo. 181; *Kline v. Vogel*, 90 Mo. 239, and *Calhoun v. Ward*, 121 N. Y. 69.

"A court of equity," said Lord Camden, "has always refused to aid stale demands where a party slept upon his rights and acquiesced for a great length of time. Nothing can call forth this court into activity but conscience, good faith, and reasonable diligence; where these are wanting the court is passive and does nothing. Laches and neglect are always discountenanced; and therefore from the beginning of this jurisdiction there was always a limitation to suits in this court."<sup>1</sup>

But this maxim must not be understood as operating to deprive a plaintiff from obtaining redress in equity by reason of de'lay, when the wrong-doing has been secret and has been fraudulently concealed. In such a case the maxim has no application.<sup>2</sup>

It may be added, that as against the Government laches cannot be set up as a defence in equity any more than the bar of the statute can at law;<sup>3</sup> and, also, that laches may not be imputed so as to deprive a party of his equitable rights, when his delay has caused no harm.<sup>4</sup>

#### 40. IV. Between equal Equities the law will prevail.<sup>5</sup>

If two persons have each an equally good equitable right, but one of them has the legal title to the subject of the dispute, equity will not interfere, but leave them to the courts of law, when, of course, the holder of the legal title will prevail. Thus,

<sup>1</sup> *Smith v. Clay*, 3 Bro. C. C. 639. See *Rabe v. Dunlap*, 51 N. J. Ch. 46, where Lord Camden is quoted; *New York City v. Pine*, 185 U. S. 95; *Tozier v. Brown*, 202 Pa. 364; *Wiggin v. Machine Co.*, 68 N. H. 14, and *Covington v. Griffin's Admr.*, 98 Va. 124. In this last case it was justly remarked that equity requires diligence in the prosecution as well as the institution of suits. See, also, *Hammond v. Hopkins*, 143 U. S. 250; *Hemmick v. Standard Oil Co.*, 33 C. C. A. 547; *Grooms v. Belt*, 171 Pa. 74; *Smith v. Turley*, 32 W. Va. 17; *Ryason v. Dunten*, 164 Ind. 85; *Dexter v. MacDonald*, 196 Mo. 373. The maxim has been applied as against purchasers for value, without notice. *Logan v. Neill*, 128 Pa. 469.

<sup>2</sup> *Bulli Coal Mining Co. v. Osborne*, [1899] A. C. 351.

<sup>3</sup> *United States v. Dalles Military Road Co.*, 140 U. S. 632. But see *Bradford v. New York & Pa. Telph. & Tel. Co.*, 206 Pa. 582.

<sup>4</sup> *White v. Patterson*, 139 Pa. 429; *Ellis v. Southwestern Land Co.*, 102 Wis. 400; *Newman v. Newman*, 152 Mo. 398; *French v. Woodruff*, 25 Colo. 339; *Brown v. Ward*, 110 Iowa, 123.

<sup>5</sup> *Farmers' and Merchants' Bank v. Farwell*, 19 U. S. App. 261-263; *Westinghouse v. German Nat. Bank*, 196 Pa. 249 (certificate of stock); *Forman v. Brewer*, 62 N. J. Eq. 748; *Enos v. Stewart*, 138 Cal. 112; *Snook v. Zentmyer*, 91 Md. Webb v. Hancher, 127 Ia. 26

if a purchaser for a valuable consideration, without notice of a prior equitable right, obtains the legal estate at the time of his purchase, he will be entitled to priority in equity as well as at law.<sup>1</sup>

Indeed, the maxim in question goes further; for the *bona fide* holder of an equity who has acquired it for value without notice of a prior equity may, even after he has received notice of the prior equity, obtain an advantage by getting in any outstanding legal title; and of this advantage a court of chancery will not ordinarily deprive him.<sup>2</sup>

A good illustration of the effect which equity gives to the acquisition of the legal title in those cases in which the equities are equal, is afforded by *Thorndike v. Hunt*.<sup>3</sup> There a trustee, under two different settlements, having misappropriated the funds of one, replaced them by a transfer of funds belonging to the other. In a suit instituted by the *cestui que trust* under the first settlement, the trustee transferred the money into court, and the fund was treated as belonging to that estate, the legal title consequently resting in the accountant general for the purposes of that trust. The question was whether the *cestui que trust* under the second settlement had a right to follow this fund, and it was held that he had not, because the transfer being without notice and for value (*i. e.*, in discharge of the debt due by the defaulting trustee) the *cestui que trust* under the first settlement had just as strong an equity to retain the fund as the *cestui que trust* under the second settlement had to follow it; and it therefore followed that the circumstances of the legal title being held by the accountant general for the former was enough to create a preference in his favor.<sup>4</sup>

#### 41. V. Equality is Equity.

Another equitable maxim is that equality is equity. This may be illustrated by the manner in which the court acts in the case of a power in trust, where the donee of the power who has the option of selecting out of a class has failed to exercise

<sup>1</sup> Note to *Basset v. Nosworthy*, 2 Lead. Cas. Eq. 5. See, however, *Central Trust Co. v. West India Imp. Co.*, 169 N. Y. 314; *Coffman v. Liggett*, 107 Va. 418.

<sup>2</sup> *Taylor v. Russell* [1891], 1 Ch. 8; *Blackwood v. The London Chartered*

*Bank of Australia*, L. R. 5 P. C. 92, 111; *The Dueber Watch Case Mfg. Co. v. Dougherty*, 62 Ohio, 589.

<sup>3</sup> 3 DeG. & Jo. 563.

<sup>4</sup> *Snell's Eq.* 18, 19; Note to *Basset v. Nosworthy*, 2 Lead. Cas. in Eq. 11.

his discretion.<sup>1</sup> In such a case, if there is more than one intended beneficiary, equity will divide the property equally among all.

So, also, in the case of joint purchasers the leaning of courts of equity is against the right of survivorship, and in favor of treating the parties as interested in the subject-matter of the purchase as tenants in common, in proportion to the sums respectively contributed by each.<sup>2</sup>

#### 42. VI. He who comes into Equity must do so with clean hands.

This maxim has also been expressed, "he that hath committed iniquity shall not have equity."<sup>3</sup> Thus a party who seeks to set aside a transaction on the ground of fraud must himself be free from any participation in the fraud, if he desires relief in equity;<sup>4</sup> and, on the same principle, equity will not lend its aid to assist a gambling transaction,<sup>5</sup> or to enforce pen-

<sup>1</sup> See *post*, Part I., Chap. II., §77.

<sup>2</sup> See *Lake v. Gibson*, 1 Lead. Cas. Eq. 177, and notes. See, also, for a general recognition of the maxim, *Girard Co. v. Cooper*, 4 U. S. App. 631; *Leighton v. Young*, 10 Id. 319; and *Woddrop v. Weed*, 154 Pa. 307-313; *Smith v. Moors*, 215 Pa. 421.

<sup>3</sup> Francis 5. See *Cadman v. Horner*, 18 Ves. 10; *Creath v. Sims*, 5 Howard, 192; *Barnes v. Starr*, 64 Conn. 136-154; *McCusker v. Spier*, 72 Id. 626; *McAllister v. Henderson*, 134 Ind. 459; *Milhous v. Sally*, 43 S. C. 324; *Palmer v. Harris*, 60 Pa. 160; *Reynolds v. Boland*, 202 Id. 647-648; *Joseph v. Macowsky*, 96 Cal. 518; *Paulk v. Mayor, etc.*, of Sycamore, 104 Ga. 24, s. c. 728; *Shorner v. Spear*, 92 N. C. 148; *Respess v. Jones*, 102 Id. 5; *Shattuck v. Watson*, 53 Ark. 147; *Booker v. Wingo*, 29 S. C. 116; *Barnett v. Barnett*, 83 Va. 504; *McDonald v. Buckstaff*, 56 Neb. 88; *Treadwell v. Torbert*, 119 Ala. 279; *Brinkerhoff v. Ransom*, 57 N. J. Eq. 312; *Insurance Co. v. Connelly*, 104 Tenn. 93; *Raasch v. Raasch*, 100 Wis. 400; *Imp. Co. v.*

*Tower's Ex., etc.*, 158 Mo. 282; *Watson v. Roller Skating Rink Co.*, 177 Ill. 203; *Pittsburg Ry. Co. v. Crothersville*, 159 Ind. 330.

<sup>4</sup> See *Wheeler v. Sage*, 1 Wall. 518; *Matthews v. Weiler*, 57 Ark. 606. The maxim will not, however, be applied where the creditor in a usurious contract seeks to collect the debt with legal interest only.

When a bill in equity seeking to impress certain securities with a trust, alleges that the title was taken in defendant's name without his knowledge, that he held them in trust for the orator, and that he secretly took them into his possession and refused to surrender them, and the issue made by the pleadings is in respect of the title to the property without reference to any fraudulent conveyance, the orator cannot be denied relief, because his evidence revealed a fraudulent purpose to avoid taxation by placing the securities in defendant's name. *Monahan v. Monahan*, 77 Vt. 133.

<sup>5</sup> *Albertson v. Laughlin*, 173 Pa. 529. Or the recovery of money paid

alties, or to aid in the harsh assertion of legal rights,<sup>1</sup> or to set aside a conveyance executed to defraud third parties.<sup>2</sup>

And the court will sometimes act *sua sponte*.<sup>3</sup>

Upon the same principle, when one of several confederates to a fraudulent transaction has acquired the result of the fraud, equity will not aid the others in obtaining their share of the spoils.<sup>4</sup>

About the earliest illustration of this doctrine is almost traditional in the famous case of *The Highwayman*. Lord Kenyon once said, by way of illustration, that he would not sit to take an account between two robbers on Hounslow Heath, and it has been questioned whether the legend in regard to the highwayman did not arise from that saying. It seems, however, that the case was a real one. The highwayman did file a bill in equity for an accounting against his partner; but the bill (it is needless to say) was promptly dismissed; and, moreover, the plaintiff's solicitors were summarily dealt with by the court as for a contempt in bringing such a case before it.<sup>5</sup>

Of course, this maxim only applies to the particular transaction under consideration, for the court will not go outside of the case for the purpose of examining the conduct of the complainant in other matters, or questioning his general character for fair dealing.<sup>6</sup> Nor is it every prosecution of an unfounded claim

in such a transaction. *Baxter v. Deneen*, 98 Md. 181.

<sup>1</sup> See *Lessig v. Langton*, Brightly's R. 191; *Kahn v. Walton*, 46 Ohio, 213; *McClintock v. Loisseau*, 31 W. Va. 870; *Bank v. Adrian*, 116 N. C. 537; *Chute v. Quincy*, 156 Mass. 189; *post*, § 181, and cases cited; *Clinton v. Myers*, 46 N. Y. 511.

<sup>2</sup> *Brown v. Brown*, 66 Conn. 493-499; see *post*, Fraud on Creditors, § 248; *Creighton v. Roe*, 218 Ill. 619; *Brutsche v. Bowers*, 122 Ia. 226; *Massi v. Lavine*, 139 Mich. 140.

<sup>3</sup> *Pacific Live Stock Co. v. Gentry*, 38 Ore. 275.

<sup>4</sup> *Johns v. Norris*, 22 N. J. Eq. 102; *Walker v. Hill's Executors*, Id. 513. See also *Allen v. Berry*, 50 Mo. 90; *Musselman v. Kent*, 33 Ind. 452; *Hibernia Society v. Ordway*, 38 Cal. 679;

*Hunt v. Rowland*, 28 Iowa, 349; *Marcy v. Dunlap*, 5 Lans. 365; *Gannett v. Albree*, 103 Mass. 372; *Leonard v. Poole*, 114 N. Y. 371; *McClintock v. Loisseau*, 31 W. Va. 865; *Schermerhorn v. De Chambrun's Admr.*, 26 U. S. App. 212; *Central Trust Co. v. Respass*, 112 Ky. 606.

<sup>5</sup> *McMullen v. Hoffman*, 174 U. S. 639, 654, citing 1 Lindley on Partnership (5th ed.), 94, note n., 9 Law Quarterly Review (London), pp. 105 and 197; Lindley (6th ed.), 101.

<sup>6</sup> Cited in *City of Chicago v. Stock Yards Co.*, 164 Ill. 224-238, and in *Shaver v. Heller & Mers Co.*, 48 C. C. A. 49; *Pitzele v. Cohn*, 217 Ill. 30; *Kinner v. Ry. Co.*, 69 Ohio St. 339; *Camors Co. v. McConnell*, 140 Fed. Rep. 412.

that will bar a man from coming into a court of equity; there must be wilful misconduct in regard to the matter in litigation.<sup>1</sup>

It has been held in some cases that equity will not necessarily refuse its aid simply because the fund or other subject-matter in respect of which the relief is asked may have been originally created by an illegal transaction. Instances of this will be found in *Sharpe v. Taylor*,<sup>2</sup> *Brooks v. Martin*,<sup>3</sup> and other cases, English and American, cited in the note.<sup>4</sup>

But the doctrine in *Sharpe v. Taylor* and kindred cases is not to be extended. The whole subject was reviewed by Mr. Justice Peckham in *McMullen v. Hoffman*,<sup>5</sup> where the distinction was thus expressed: "In the case before us the cause of action grows directly out of the illegal contract, and if the court distributes the profits it enforces the contract which is illegal. But where A claims money from B, although due upon an illegal contract, and B acknowledges the obligation and waives the defence of illegality and pays the money to a third party upon his promise to pay it to A, the third party cannot successfully defend an action, brought by A to recover the money, by alleging that the original contract between A and B was illegal. This is the principle decided, and we think correctly decided, in the cases cited."

Under the same maxim, too, fail cases where equity has refused its aid to unconscionable demands or defences, and has left the parties to their relief at law.<sup>6</sup>

#### 43. VII. He who seeks Equity must do Equity.

The usual illustration of this maxim is the case of a borrower

<sup>1</sup> Snell's Prin. Eq. 25; Lewis and Nelson's Appeal, 67 Pa. 166; Meyer v. Yesser, 32 Ind. 294; Bateman v. Fargason, 4 Fed. Rep. 32; Foster v. Winchester, 92 Ala. 497; Miller v. Enterprise Co., 142 Cal. 213.

<sup>2</sup> 2 Phil. Ch. 801.

<sup>3</sup> 2 Wall. 70, 81.

<sup>4</sup> Sykes v. Beadon, 11 Ch. D. 170; Farmer v. Russell, 1 Bos. & Pul. 296; McBlair v. Gibbs, 17 How. 237; The Chas. E. Wiswall, 30 C. C. A. 342; Hardy v. Jones, 63 Kan. 8; Harcrow v. Gardiner, 69 Ark. 6.

<sup>5</sup> 174 U. S. 639. See particularly page 660. See also Snell v. Dwight,

120 Mass. 9; Durham v. Presby, Id. 285; Gray v. Oxnard Bros., 59 Hun, 387; Wiggins v. Biaso, 92 Tex. 219; Unckles v. Colgate, 148 N. Y. 534; Woodson v. Hopkins, 85 Miss. 171.

<sup>6</sup> See Philada. Trust Co. v. Coal and Iron Co., 139 Pa. 544. See in this connection Brown v. Davis, 23 U. S. App. 579-596, where the court dismissed the bill because of reckless charges of fraud and reckless evidence in support thereof. It would seem that a suitor in chancery must not only come into court with clean hands, but must keep them so.

of money on usurious interest, who comes into a court of equity to ask for relief by having the transaction set aside. Equity will not afford him redress except upon the terms of his returning the amount actually borrowed with lawful interest, because it is as equitable that the person who has loaned the money should have the amount with lawful interest returned to him, as that the borrower should be relieved from his unjust obligation to pay a usurious rate.<sup>1</sup> So also a mortgagor who files a bill to redeem, must offer to do equity by paying the mortgagee his debt, interest, and costs,<sup>2</sup> and he cannot insist that the debt is barred by the statute.<sup>3</sup> Another, and a striking illustration of this maxim, is found in the rule that when a husband comes into chancery for the purpose of getting in his wife's equitable property, he will not be assisted except upon the terms of making a reasonable settlement upon his wife.<sup>4</sup> Again, when a *bona fide* possessor of property improves it in good faith and under an honest belief of ownership, equity in some cases may refuse to aid the real owner in ousting him, save upon terms of allowance for such expenditures.<sup>5</sup> Still again; when a property owner seeks to enjoin the collection of a tax on the ground that the amount is excessive, he must pay to the proper officer the amount which he concedes to be properly due.<sup>6</sup> Other illustrations of the application of this maxim will be found in the authorities cited in the note.<sup>7</sup> Among these, *Willard v. Tay-*

<sup>1</sup> *Fanning v. Dunham*, 5 Johns. Ch. 122. See also *Sporrer v. Eifler*, 1 Heisk. 633; *Corby v. Bean*, 44 Mo. 379; *Ruppel v. Missouri, etc., Assn.*, 158 Id. 613; *Mack v. Hill*, 28 Mont. 99; *Thomas v. Coffin*, 23 U. S. App. 653; *Hubbard v. Tod*, 171 U. S. 501; *American Freehold, etc., Co. v. Jefferson*, 69 Miss. 770; *Hanchev v. Southern Bldg. Assn.*, 140 Ala. 246.

<sup>2</sup> *Lanning v. Smith*, 1 Pars. Eq. C. 16; *Lewie v. Hallman*, 53 S. C. 18; but see *Savoie v. Meyers*, 40 La. Ann. 677; *Meets v. Mohr*, 141 Cal. 667.

<sup>3</sup> *Oakman v. Walker*, 69 Vt. 344.

<sup>4</sup> See § 109 *et seq.* See, on the general maxim, *Secrest v. McKenna*, 1 Strobh. Eq. 356; *Richardson v. Linney*, 7 B. Mon. 571; *Mumford v. Am. Life Ins. Co.*, 4 Coms. 463.

*Buena Vista Co. v. Tuohy*, 107 Cal. 243.

<sup>5</sup> *Putnam v. Tyler*, 117 Pa. 588. But such an exercise of jurisdiction is on the border-line, and should be most cautiously used; *Hunter v. Coe*, 12 N. D. 505.

<sup>6</sup> *People's Nat. Bk. v. Marye*, 191 U. S. 285; *Smith v. Auditor General*, 20 Mich. 398; *Merrill v. Humphrey*, 24 Id. 170.

<sup>7</sup> *Comstock v. Johnson*, 46 N. Y. 615; *Loder v. Allen*, 50 N. J. Eq. 631-637; *Morrison v. Hershire*, 32 Ia. 271; *Board of Montgomery County v. Elston*, 32 Ind. 27; *Dean v. Charlton*, 23 Wis. 590; *Creed v. Scruggs*, 1 Heisk. 590; *Wales v. Coffin*, 105 Mass. 328; *Lohman v. Crouch*, 19 Gratt. 331; *Carpenter v. Plagge*, 192 Ill. 82;

loe<sup>1</sup> may be particularly referred to. In that case it appeared that in 1854 the plaintiff had leased from the defendant a hotel at Washington for a term of ten years, with the option to the lessee of purchasing the fee at a fixed price at any time within the term. At the date of the lease gold and silver coin was the only legal tender. Subsequently the legal tender acts were passed and, in April, 1864, just prior to the expiration of the term, the lessee elected to exercise his option to buy, and tendered the price in paper money, which was at that time much depreciated. On the refusal of the lessor to accept, the lessee filed a bill to enforce specific performance of the contract. It was held that he was entitled to a decree, but only on condition that the stipulated sum should be paid in coin.

The maxim is applicable to a defendant as well as to a plaintiff; and a party who seeks to avail himself of an equitable defence must stand the test of the doctrine under consideration, as well as one who appears as plaintiff in a cause.<sup>2</sup>

#### 44. VIII. Equity looks upon that as done which ought to be done.<sup>3</sup>

This is a very important maxim, and one which lies at the foundation of many of the great doctrines in equity. For the purpose of reaching exact justice, equity will frequently consider that property has assumed certain forms with which it ought, in justice, to be stamped, or that parties have performed certain duties, or carried out the terms of contracts,<sup>4</sup>

*Miller v. Miller*, 148 Mo. 113; *Collins, etc., v. Green*, 10 Okla. 244; *McClain v. Batton*, 50 W. Va. 121; *Vick v. Vick*, 126 N. C. 123. See remarks of Ch. J. Waite in *Fosdick v. Schall*, 99 U. S. 253; *Gibson v. Herriott*, 55 Ark. 85; *Thomas v. Evans*, 105 N. Y. 601; *Green v. The Coast Line R. R. Co.*, 97 Ga. 15-22; *Charlestown Ry. Co. v. Hughes*, 105 Id. 1; *Hayes v. Southern, etc.*, Assn., 124 Ala. 663; *Trigg v. Jones's Admr.*, 102 Ky. 44; *O'Connell v. O'Connor*, 191 Ill. 215. For a case where the maxim was not applied, see *Bowdre v. Carter*, 64 Miss. 221.

<sup>1</sup> 8 Wall. 557. But see *McGoon v. Shirk*, 54 Ill. 408.

<sup>2</sup> *Tongue v. Nutwell*, 31 Md. 302.

See also *Brown v. Lake Superior Iron Co.*, 134 U. S. 530, and the remarks of *Brewer, J.*, on p. 535.

<sup>3</sup> "When chancery interposes to compel the performance of an act which has been covenanted to be performed, it always treats the subject as if it had been performed at the time contracted." *Reeve's Dom. Relations*, tit. Chancery, 446; *Jordan v. Cooper*, 3 S. & R. 585; *Bridgeport Electric & Ice Co. v. Meader*, 30 U. S. App. 581-588; *Clemmons v. Cox*, 116 Ala. 507; *Cockrell v. Cockrell*, 79 Miss. 569.

<sup>4</sup> See *Ross v. Army & Navy Hotel Co.*, 34 Ch. D. 43; *In re Queensland Land & Coal Co.*, *Davis v. Martin*,



which they ought, in justice, to fulfil;<sup>1</sup> and will regulate the enjoyment and transmission of estates and interests accordingly. Thus, where a testator has imperatively directed land to be sold and turned into money, equity will consider that the *conversion* (as it is termed) has taken place from the instant of the testator's death, and the subsequent devolution of the property will be governed by the rules which control, not real, but personal estate. And so, as it is the duty of a trustee to deal with the trust property for the benefit of the *cestui que trust*, a profit made in his own name will be regarded as made for the benefit of the trust estate. This maxim will be found running through the whole system of equity jurisprudence.<sup>2</sup>

**45. IX. Between equal Equities priority of time will prevail.<sup>3</sup>**

This is the rule which is applied to determine the order between conflicting equities. If nothing else intervenes to turn the scale, the man who is first in time will be first in right. The maxim is frequently applied in questions which arise under titles acquired through equitable assignments, and the nature of this doctrine and the reason of its application have thus been stated by very high authority: "Now I take it," said Lord Westbury, in *Phillips v. Phillips*,<sup>4</sup> "to be a clear proposition that every conveyance of an equitable interest is an innocent conveyance; that is to say, the grant of a person entitled in equity passes only that which he is justly entitled to and no more. If, therefore, a person seized of an equitable estate, the legal estate being outstanding, makes an assurance by way of mortgage or grants an annuity, and afterwards conveys the whole estate to a purchaser, he can only grant to a purchaser that which he has, viz., the estate subject to the annuity or mortgage, and no more. The subsequent grantee takes only what is left in the grantor. Hence grantees and encumbrancers claiming in equity take and

[1894] 3 Ch. 181; *Bridgeport Elec. & Ice Co. v. Meader*, 30 U. S. App. 588; *Bush v. Boutelle*, 156 Mass. 167; *Shipman v. Lord*, 58 N. J. Eq. 380; *Payne v. Lumber Co.*, 9 Okla. 683; *Rea v. Wilson*, 112 Iowa, 517; *Nat. Bk. of Deposit v. Rogers*, 166 N. Y. 380; *Warner v. City of New Orleans*, 31 C. C. A. 243; and *McRea v. McRea*,

78 Maryland, 270-283; *Betts v. Connecticut Life Ins. Co.*, 76 Conn. 377.

<sup>1</sup> *Fitts v. Grocery Co.*, 144 N. C. 471.

<sup>2</sup> *Bennett v. Harper*, 36 W. Va. 546.

<sup>3</sup> *Maguire v. Heraty*, 163 Pa. 381.

<sup>4</sup> *DeG. F. & J.* 218. See the English and Scottish Mercantile Co. v. Brunton, [1892] 2 Q. B. 1-7

are ranked according to the dates of their securities, and the maxim applies, *Qui prior est tempore, potior est jure*. The first grantor is *potior*, that is, *potentior*. He has a better and superior, because a prior, equity."<sup>1</sup> But in order that this maxim should apply, the equities must be *equal*. Should they, for any reason, be *unequal*—should the balance be disturbed by fraud, laches, or negligence, the prior equity may be postponed.<sup>2</sup>

#### 46. X. Equity imputes an intention to fulfil an obligation.<sup>3</sup>

What is meant by this maxim is that when a person covenants to do an act, and he does that which may either wholly or partially be converted to or towards a completion of the covenant, he shall be presumed to have done it with that intention. In the case of *Wilcocks v. Wilcocks*,<sup>4</sup> which is a leading authority upon this point, a person covenanted to purchase and to settle lands of a certain value, and afterwards purchased lands of equal or greater value, which descended upon his heir, and it was deemed a performance of the covenant. Upon the same principle a purchase in the name of a child will be considered as an advancement, and not as a resulting trust for the benefit of the father (the purchaser);<sup>5</sup> and a legacy to a child will be treated as a provision.

#### 47. XI. Equity acts *in personam*.

It was against the *person* that the jurisdiction of the Court of Chancery was originally acquired,<sup>6</sup> and an attachment against the *person* has always been, and still is, one of the ordinary means of enforcing obedience to its decrees. Indeed, it may be said that, "generally, if not universally, equity jurisdiction is

<sup>1</sup> See *Union Bank of London v. Kent*, 39 Ch. D. 238, for a statement of the general principle, and the exceptions to it.

<sup>2</sup> See *Heyder v. Excelsior Building Loan Association*, 42 N. J. Eq. 403, and the remarks of the court on pp. 407 and 408. See also *Farrand v. Yorkshire Banking Co.*, 40 Ch. D. 189. Where a person advances purchase money and takes a mortgage from the purchaser at the time of the conveyance from the seller, the transaction of purchase and of mortgage

will be considered *one*; and the equity of the person making the advance will be deemed superior to that of a prior lien creditor of the purchaser. *Demeter v. Wilcox*, 115 Mo. 634.

<sup>3</sup> *Warren v. Adams*, 19 Col. 525; *Jager v. Vollinger*, 174 Mass. 521; *Swearinger v. Ins. Co.*, 56 S. C. 355.

<sup>4</sup> 2 Vern. 558; 2 Lead. Cas. Eq. 415.

<sup>5</sup> *Post*, Part I., chap. on Implied Trusts.

<sup>6</sup> *Great Falls Manuf. Co. v. Worster*, 23 N. H. 462.

exercised *in personam* and not *in rem*, and depends upon the control of the court over the parties by reason of their presence or residence, and not upon the place where the land lies in regard to which relief is sought."<sup>1</sup> Hence, when the *parties* are within the jurisdiction of a court of chancery, it will not, ordinarily, hesitate to grant relief, although the property to be ultimately affected by the decree may lie in another forum. Thus the Court of Chancery in England decreed specific performance of a contract respecting the boundaries of Pennsylvania and Maryland, when colonies, entered into by the proprietaries;<sup>2</sup> a trustee residing in one state may be compelled to make a conveyance of real estate situated in another;<sup>3</sup> and an account may be taken between a mortgagor and mortgagee in a Court of Equity although the mortgaged premises lie outside its territorial jurisdiction.<sup>4</sup>

<sup>1</sup> *Per* Gray, J., in *Hart v. Sansom*, 110 U. S. 154.

<sup>2</sup> *Penn v. Lord Baltimore*, 1 Ves. 444; 2 Lead. Cas. Eq. 767.

<sup>3</sup> *Vaughan v. Barclay*, 6 Whart. 392. To the same effect are *Earl of Kildare v. Eustace*, 1 Vern. 419; *Lord Cranstown v. Johnston*, 3 Ves. 170. See also *Mitchell v. Bunch*, 2 Paige Ch. R. 606; and *Moore v. Jaeger*, 2 MacArthur, 465; *Lindley v. O'Reilly*, 50 N. J. L. 636; *King v. Pillow*, 90 Tenn. 287; *Massie v. Watts*, 6 Cranch, 148; *Gilliland v. Inabnit*, 92 Ia. 46; *Clad v. Paist*, 181 Pa. 148; *Sohnakts v. York Manuf. Co.*, 204 Id. 1; *Noble v. Grandin*, 125 Mich. 383; *Vaught v. Meador*, 99 Va. 569; *State ex rel. v. Zachrita*, 166 Mo. 307; *Butterfield v. Nogales Co.*, 9 Ariz. 212; *Byrne v. Jones*, 159 Fed. Rep. 321.

<sup>4</sup> *Peninsular, etc., Co. v. Pacific S. W. Co.*, 123 Cal. 669.

A corporation was organized under the laws of New Jersey for the purpose of exporting oil for sale in foreign countries. Its manager, who was a dealer in Hamburg, Germany, was given a power of attorney conferring on him full authority to act for the

company in all matters and which in effect vested in him all of its powers in respect to its business. He continued the business in Hamburg, in the name of the company, which purchased oils from a refinery in this country and had the same shipped in its name to Hamburg to itself as consignee, from which point they were distributed. By its directions barrels were shipped unmarked, except for an identifying mark, and on their receipt at Hamburg, and before their sale to consumers, they were marked with names and brands previously exclusively used by complainant to designate its different kinds of oil, which it also sold largely in Europe. Such company also made false representations that its oils were the same as complainant's and made by the same process. *Held*, in a suit against the company, its manager, and certain of its officers, that such acts of fraud and unfair competition were not committed solely in a foreign country, but had their inception and were in part performed in this country, whence the barrels were purposely sent without marks, and that a court of the

It follows from this, however, that a decree in equity cannot, of itself, divest a title at law, but can only compel the holder to convey.<sup>1</sup> Therefore it was held, in a recent case in Virginia, that a court in New York had no power to make title to land in the former state by a decree authorizing the committee of a lunatic to convey; for as the owner was incapable of executing a deed, his title could be divested only by some process from a court of the sovereign (the State) within whose *territory* the land was situate.<sup>2</sup>

The question is one of great practical importance in foreclosure suits against railroad corporations whose lines of railway extend over more than one state. It is now settled by the highest authority that a decree of foreclosure and a sale of the entire mortgaged property is valid, although a portion of that property may lie out of the territorial jurisdiction of the court making the decree; provided, of course, that the jurisdiction over the defendants *in personam* had properly attached. Such was the ruling of the Supreme Court of the United States in *Muller v. Dows*,<sup>3</sup> where Mr. Justice Strong said: "Without reference to the English chancery decisions, where this objection to the decree would be quite untenable, we think the power of courts of chancery in this country is sufficient to authorize such a decree as was here made. It is here undoubtedly a recognized doctrine that a court of equity, sitting in a state, and having jurisdiction of the person, may decree a conveyance by him of land in another state, and may enforce the decree by process against the defendant. True, it cannot send its process into that other state, nor can it deliver possession of land in another jurisdiction; but it can command and enforce a transfer of the title. And there seems to be no reason

United States had jurisdiction to grant relief against the same.

The fact that the subject-matter of a suit is situated in a foreign country will not deprive a court of equity of the United States of jurisdiction to grant relief against fraud with reference to such subject-matter by defendants, who are within the court's jurisdiction. *Vacuum Oil Co. v. Eagle Oil Co.*, 154 Fed. Rep. 867.

The jurisdiction of the person of a party gives a court of equity plenary

power in cases of contract, fraud, or trust to compel him to act in relation to property in his control beyond its territorial jurisdiction. *Wilhite v. Skelton*, 149 Fed. Rep. 67.

<sup>1</sup> *Proctor v. Ferebee*, 1 Ired. Eq. 143; *Miller v. Sherry*, 2 Wall. 241-2; and see same case, pp. 248-9.

<sup>2</sup> *Hotchkiss v. Middlekauf*, 96 Va. 649. See, also, *Lindsley v. Union Mining Co.*, 26 Wash. 301.

<sup>3</sup> 94 U. S. 444; *Riverdale Mills v. Alabama Co.*, 198 U. S. 197.

why it cannot, in a proper case, effect the transfer by the agency of trustees when they are complainants." And so in *McElrath v. The Pittsburg and Steubenville Railroad Co.*,<sup>1</sup> a bill for foreclosure of a mortgage—in which it appeared that a railroad company, whose road was partly in Pennsylvania and partly in West Virginia, had mortgaged all their rights in the whole road—the court decreed that the trustee who had brought the suit, being within its jurisdiction, should sell and convey all the mortgaged property, as well that in the state of West Virginia as that in Pennsylvania. But where, in order to the relief sought, it is necessary to deal directly with the land itself, the foreign situation of the property will be a bar to the jurisdiction. Thus, a bill cannot be brought for a partition of land outside of the jurisdiction, for the court cannot issue a commission thither;<sup>2</sup> nor to remove a nuisance similarly situated, for no writ to abate the nuisance would run,<sup>3</sup> nor can title be made by a master or commissioner where the real estate is beyond the territorial jurisdiction of the court by whom such officers are appointed.<sup>4</sup>

The doctrine that equity acts *in personam* has also been applied for the purpose of restraining a defendant *within* the jurisdiction from prosecuting suits *without* the jurisdiction. The question whether an injunction should issue under such circumstances came before Lord Hardwicke in *McIntosh v. Ogilvie*,<sup>5</sup> and was decided in the affirmative. Similar rulings have been made by many state courts in this country;<sup>6</sup> and these decisions have all been approved by the Federal Supreme Court.<sup>7</sup>

The maxim that a court of equity acts *in personam* must not

<sup>1</sup> 55 Pa. 189. See, also, *White v. Hall*, 12 Ves. Jr. 321; *MacGregor v. MacGregor*, 9 Ia. 65; and *Memphis Sav. Bk. v. Houchens*, 52 C. C. A. 176, 188.

<sup>2</sup> *Smith's Manual of Equity*, 30. See, also, *Glen v. Gibson*, 9 Barb. 634; *MacGregor v. MacGregor*, 9 Ia. 65; *Guarantee Trust Co. v. Delta & Pine Land Co.*, 43 C. C. A. 403; and *Port Royal R. R. Co. v. Hammond*, 58 Ga. 523.

<sup>3</sup> *Morris v. Remington*, 1 Pars. Eq. C. (Pa.) 387. See, also, *Thomas v. Hukill*, 131 Pa. 298.

<sup>4</sup> *Watts v. Waddle*, 6 Pet. 389; *Guarantee Trust Co. v. Delta & Pine Land Co.*, 43 C. C. A. 403.

<sup>5</sup> 4 T. R. 193 n.

<sup>6</sup> *Snook v. Snetzer*, 25 Ohio, 516; *Keyser v. Rice*, 47 Md. 203; *Dehon v. Foster*, 4 Allen, 545; *Sercomb v. Catlin*, 128 Ill. 556; *Dinsmore v. Neresheimer*, 32 Hun, 204; *Zimmerman v. Franke*, 34 Kan. 650; *Wilson v. Joseph*, 107 Ind. 490; *Biggs v. Colby*, 4 Ind. Ter. 383; *Royal League v. Kavanagh*, 233 Ill. 175.

<sup>7</sup> *Cole v. Cunningham*, 133 U. S. 107.

be understood to mean that the jurisdiction of the chancellor extends to rights of action for *personal* injuries. The reverse is the case. The subject of the jurisdiction of courts of equity is *property*—not *persons*. Their *process* is directed against persons, and sometimes against property; but there must be some right of *property* involved in order that the jurisdiction of the court may attach. This subject will be noticed hereafter;<sup>1</sup> but reference may be made, in this connection, to the refusal of courts of chancery to entertain any bill to recover damages for purely *personal* torts,<sup>2</sup> or to prevent violations of purely political rights.<sup>3</sup>

It may not be out of place, moreover, to mention here the rule applicable when the *res* happens to be within the jurisdiction, and the person whose rights in the *res* are sought to be affected by the decree is a non-resident. In such cases, at all events for certain purposes, the court will exercise jurisdiction over the *thing*, although personal service upon the defendant may not be possible—whenever service by publication, in lieu of a personal service, is authorized by statute. Cases not infrequently arise where it is necessary that the title to real estate should be perfected by getting rid of an outstanding claim. The title to land may be clouded by the existence of an alleged right which the holder declines, presently, to assert. There is, as we shall see hereafter, a jurisdiction in courts of chancery to remove a “cloud” upon the title. This power may be exercised if the land is within the process of the court, although the party affected may be beyond its limits.<sup>4</sup>

#### 48. XII. Equity acts specifically.

The last maxim which will be noticed is, that equity acts specifically, and not by way of compensation; which embodies a general principle running through the whole system of chancery jurisprudence. This principle is that equity aims at putting parties exactly in the position which they ought to occupy;<sup>5</sup> giving them *in specie* what they are entitled to enjoy; and putting a stop, actually, to injuries which are being inflicted. Thus, equity decrees the performance of a contract,

<sup>1</sup> See end of Chapter II. of Part III., Injunctions, § 465.

<sup>2</sup> See *Brown v. Wabash Ry. Co.*, 96 Ill. 297, where a bill filed against receivers, for injury resulting in death, was dismissed.

<sup>3</sup> *Fletcher v. Tuttle*, 151 Ill. 41.

<sup>4</sup> *Arndt v. Griggs*, 134 U. S. 320.

<sup>5</sup> “It looks through form to substance.” *Texas v. Hardenberg*, 10 Wall. 89.

and does not give damages for its breach.<sup>1</sup> So, also, equity will, under certain circumstances, restrain the commission of destructive trespass;<sup>2</sup> whereas, at common law, all that the aggrieved party could obtain would be a money compensation for the injury. And so, again, a chancellor will sometimes compel a party specifically to make good his representations by which another has been misled; while in the common-law action of deceit, damages alone can be recovered.

In some exceptional cases, indeed, equity will afford compensation in lieu of specific relief; but such cases are rare. These exceptions, as well as the general principles contained in this maxim, will be illustrated more at length under the appropriate heads of Specific Performance and Injunction.

<sup>1</sup> *Post*, Part III., chap. on Specific Performance.

<sup>2</sup> *Post*, Part III., chap. on Injunctions.

# PART I.

## EQUITABLE TITLES.

### CHAPTER I.

#### TRUSTS ; THEIR ORIGIN, HISTORY, AND GENERAL NATURE.

- |                                                                           |                                                                                                         |
|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| 49. Definition of Trusts.                                                 | 56. Lawful and Unlawful Trusts.                                                                         |
| 50. Distinction between Trusts and <i>Fidei Commissa</i> .                | 57. Executed and Executory Trusts; <i>Glenorchy v. Bosville</i> ; <i>Sackville-West v. Holmesdale</i> . |
| 51. Origin of Trusts.                                                     | 58. Reformation of executory instruments creating Trusts.                                               |
| 52. Trusts before the Statute of Uses; Statute 1 Rich. III. c. 1.         | 59. Public and Private Trusts.                                                                          |
| 53. Statute of Uses; 27 Hen. VIII. c. 10.                                 | 60. General rules for the devolution of Equitable Estates.                                              |
| 54. General nature of Trusts; Active and Passive Trusts.                  | 61. Alienation of Equitable Estates; Liability for debts.                                               |
| 55. When Trusts will be executed by the Statute; Rules in several States. | 62. Exceptions to the general rules of devolution of Equitable Estates.                                 |

#### 49. Definition.

A TRUST, in its technical sense, is the right, enforceable solely in equity, to the beneficial enjoyment of property of which the legal title is in another.<sup>1</sup> The radical idea of a trust is this separate co-existence of the legal title with the beneficial ownership, or, as it came to be called, the equitable title. The perfect ownership is, as it were, decomposed into its constituent elements of legal title and beneficial interest, which are vested in different persons at the same time.<sup>2</sup> Thus, to take the simplest case, if land is conveyed or devised to A on such terms that he is compellable to hold it for the benefit of B, here A has the legal title, B has the beneficial ownership, or right to enjoy the land;

<sup>1</sup> See *Kane v. Bloodgood*, 7 J. C. R. 90; *Warner v. McMullin*, 131 Pa. 381. In *McKee v. Lamon*, 159 U. S. 322, the distinction between a trust and a bailment does not seem to be clearly recognised.

<sup>2</sup> See the argument in *McDonogh's Ex'rs v. Murdock*, 15 How. 391. See also *Chaffees v. Risk*, 24 Pa. 432; *Wallace v. Wainwright*, 87 Id. 267.



and this right, originally enforceable solely in equity by suing out a subpoena against A, was considered as attaining the dignity of a *title*.

The length of time during which this separation of the ownership into its constituent elements continues, and the extent of B's control over the property, in other words, the *duration* and the *nature* of the trust depend upon the terms by which it is created, subject, of course, to certain established legal rules.

The system of trusts is now so thoroughly recognized that, according to the laws of property in England and in other countries where the English common law is in force, it is one of the rights of ownership that this division of the complete title should, if desired, take place. If the absolute owner of property wishes for any reason to have the equitable title *only* vested in him and the legal title outstanding in another, he has a perfect right to hold and enjoy his property in that way. Nor is it necessary that the *cestui que trust* should be under any disability in order that he may enjoy this privilege. A person *sui juris*, and who is the absolute owner of property, may avail himself of the system of trusts, and may keep the legal title outstanding in another as long as he sees fit so to do.<sup>1</sup>

### 50. Distinction between Trusts and *Fidei Commissa*.

It has been supposed that the English *trust* was identical with, or, at all events, bore a very great resemblance to the Roman *fidei commissum*; but that there is a broad distinction between the two has been pointed out by high authority. In McDonogh's *Executors v. Murdoch*<sup>2</sup> the question arose whether a "trust" was within the language of the Louisiana code prohibiting *substitutions* and *fidei commissa*, and it was held that it was not. The difference between the two was clearly explained in the opinion of the court in that case,<sup>3</sup> and, indeed, is obvious from a consideration of the nature of the *fidei commissa* as they existed under the Roman law.

<sup>1</sup> See the language of Lord Chancellor Cairns in *Shropshire Union Railways and Canal Co. v. The Queen*, L. R. 7 Eng. and Ir. App. 507; of Chitty, J., in *Carritt v. Real and Personal Advance Co.*, 42 Ch. D. 270, and of Farwell, J., in *Rimmer v. Webster*, [1902] 2 Ch. 170. See also *Young v. Snow*, 167 Mass. 287.

A deed or will does not create a trust unless there is a separation of the legal estate from the beneficial enjoyment and a trust cannot exist when the same person possesses both. *Doan v. Vestry*, 103 Md. 662.

<sup>2</sup> 15 Howard, 367.

<sup>3</sup> Id. 407-409.

The *fidei commissum* was the means of carrying out *substitutions* which could not be otherwise effected by the testator. By a *substitution* a party could be appointed to take the inheritance, in case the person who was designated as heir in the first instance did not make his election to accept the inheritance within a specified time, or in case he was a descendant of the testator, and after becoming heir died under puberty.<sup>1</sup> Thus, the testator could say, "Lucius Titius, be heir and make thy cretion<sup>2</sup> within the next hundred days after thou hast knowledge and ability. But if thou dost not so make cretion be disinherited, and then Moevius be heir."<sup>3</sup> And also, "Titius, my son, be my heir. If my son shall not become my heir, or if he become my heir and die before he comes into his new governance, Seius be heir."<sup>4</sup> If, however, a stranger, and not a descendant, was instituted as heir, a substitution could not be made in such a way that if the heir died within a specified time some other person should be heir to him. But this end was effected by means of the *fidei commissum*,<sup>5</sup> whereby the heir was bound to deliver over the inheritance either in whole or in part, at or after a designated time.<sup>6</sup> In other words, the *fidei commissum* were the means whereby the transmission of estates, to be enjoyed by successive owners, was secured.<sup>7</sup> The performance of the *fidei commissum* was enforced at Rome by the consul or the praetor whose special jurisdiction was over *fidei commissum*, and in the provinces by the governor.<sup>8</sup> Subsequently a praetor was appointed for the special purpose of hearing such causes, receiving, from the nature of his duty, the name of *praetor fidei commissarius*.<sup>9</sup>

It is true that in both the Roman *fidei commissum* and English trusts, a confidential relationship was presumed to exist,<sup>10</sup> but in the former it was called into being for the purpose of transmitting the inheritance; in the latter, in order to regulate the present enjoyment of the estate.<sup>11</sup>

<sup>1</sup> Commentaries of Gaius (Abdy & Walker), Book II. §§ 174 to 180; and see McDonogh's *Ex'rs v. Murdoch*, 15 How. 407, 408.

<sup>2</sup> Election, choice.

<sup>3</sup> Com. of Gaius, *ut sup.*

<sup>4</sup> Id. § 179.

<sup>5</sup> Id. § 184.

<sup>6</sup> Id. §§ 184, 246 to 289.

<sup>7</sup> Resembling, in this particular, the system of estates-tail in the English law.

<sup>8</sup> Gaius, Book II. § 278.

<sup>9</sup> Justinian, Lib. II., Tit. xxiii. §§ 1 and 2.

<sup>10</sup> Amos on the Science of Jurisprudence, 91.

<sup>11</sup> A trust to convey land or to trans-

The fundamental idea, moreover, which lay at the root of both trusts and *fidei commissa* was probably the same, viz., that under certain circumstances it might be convenient or desirable that one man should take and hold property, the benefit of which was sooner or later to accrue to another; but the development of this idea, in the two systems of jurisprudence was essentially different.

The distinction, therefore, which it is desirable to remember as existing between the *fidei commissum* and the trust is this, that in the former there was no separation of the legal and equitable title, but there was simply a request, which afterwards became a duty imposed upon the *gravatus*, to convey the inheritance to another person, either immediately or after a certain event, *e. g.*, the death of the first taker; whereas, in the trust, the perfect ownership is decomposed into its constituent elements of legal title and beneficial interest, which are vested in different persons at the same time.<sup>1</sup>

It may also be here remarked that the *fidei commissa* arose out of testamentary dispositions; whereas, English trusts were originally created only by conveyances *inter vivos*, land not being devisable before the statute of Henry VIII.

It may further be observed that the *usus* and *usufructus* of the Roman law are not to be confounded with the English use or trust. The *usus* in the Roman law of property consisted in the right to the natural use of a thing, owned by another, by some definite individual and the family circle of which he constituted the head, and was ordinarily not transferable. The *usufructus* was of greater extent than the *usus*, there being added to the latter the *fructus* or a right to enjoy the fruits of land to a greater extent than is necessary for daily consumption; and this right could be let, sold, or given to another.<sup>2</sup>

fer or deliver personalty would bear a close resemblance to a *fidei commissum*. "There can be no doubt of the general proposition that where money is placed in the hands of one person to be delivered to another, a trust arises in favor of the latter which he may enforce by bill in equity, if not by action at law. The acceptance of

the money, with notice of its ultimate destination, is sufficient to create a duty on the part of the bailee to devote it to the purpose intended by the bailor." *McKee v. Lamon*, 159 U. S. 322.

<sup>1</sup> See 2 Pollock & Maitland's History of English law, pp. 226-236.

<sup>2</sup> See Justinian's Institutes, Lib. II.

### 51. Origin of Trusts.

When it was, exactly, that the idea of the separation of the complete ownership into the legal and equitable titles first made its appearance in England, is, perhaps, impossible to say; nor can it be asserted with any certainty whether this idea was one of purely English growth, or whether it was imported from some other system of laws. The probabilities are in favor of its indigenous nature; for, as we have seen, it has no exact counterpart in the Roman law;<sup>1</sup> nor is it likely that the English lawyers of very early times had opportunities of studying this law, if any such ideas could indeed have been gathered from it.<sup>2</sup>

In early times, the idea of the separation of the legal and equitable titles must have met with an enemy in the feudal system. To allow a feud to be held by one person in trust for another, would have created confusion in determining to whom the lord was to look for the performance of the services annexed to the feud, and for those pecuniary and other advantages which he derived from the death of the feudatory, or the alienation of the estate. Hence, Mr. Butler has regarded the introduction of uses as one of the most effective blows aimed at the feudal system.<sup>3</sup>

Some attempts, indeed, have been made to show that trusts existed in the reign of King Alfred; but the better opinion seems to be that the instance referred to was the description of a tenure, and not the case of a trust.<sup>4</sup> The probabilities are, that trusts were recognized before the statute of *quia emptores* (13 Edw. I.), and became frequent after that date; this probability being founded on authority,<sup>5</sup> and being further strengthened by the fact alluded to by Mr. Finlason, that we not unfrequently fall into error when we assume that "because proceedings are not mentioned as being judicially decided upon they did not exist."

tit. iv. and v.; Tompkins and Jenkyn's Modern Roman Law, 173, 174.

<sup>1</sup> See the opinion of Judge Campbell in *McDonogh's Executors v. Murdoch*, 15 How. 409.

<sup>2</sup> The tendency in modern times is, perhaps, to exaggerate the extent to which the early English law is indebted to the Roman law. The Roman law which influenced the

English law was probably the early Roman law—not the law of Justinian.

<sup>3</sup> Co. Litt. 191, a, note, sec. VI. 11.

<sup>4</sup> Sanders, U. and T. 7.

<sup>5</sup> See reference to Bro. Abr. tit. "Feoffmental Uses," in Reeves's Hist. Eng. L., vol. 2, p. 575, note (Finlason); and 1 Spence Eq. 439, note f, 447.

Without, however, entering into any elaborate research, it may be safely assumed that in the reign of Edward III. the beneficial enjoyment of land as distinguished from the legal ownership was distinctly recognized;<sup>1</sup> and it now becomes necessary to trace briefly the nature of this beneficial interest, its development into that permanent equitable estate known as a use, the nature of this estate prior to the famous statute of uses of 27 Henry VIII., the effect of that statute, and the character of the equitable interests which it left untouched, and which together with certain other like interests, under the title of the modern trusts, fell peculiarly under the jurisdiction of the Court of Chancery.<sup>2</sup>

## 52. Trusts before the Statute of Uses ; Statute 1 Rich. III. c. 1.

Before the statute of uses there appears to have existed a distinction between the technical "use" and a "trust." "When a trust," says Bacon,<sup>3</sup> "is not special nor transitory, but general and permanent, there it is a use." The permanent "use" was the natural result and outgrowth of the "special trust." Two classes of beneficial interests consequently arose.<sup>4</sup> First, the use or simple trust, of which it is said "it is not like a rent out of the land, but is like a collateral thing annexed to the person touching the land ; and it is but a confidence for the usage of land, that is to say, a confidence that the feoffees to whom the land has been given shall permit the feoffor and his heirs, and those whom they should designate to receive the profits of the land, and that the feoffees should make such estates of the land as they (the feoffors) should limit, and so their estate is but a confidence."<sup>5</sup> Second, the special trust : which was subdivided into the "special trust lawful," as if a man had enfeoffed another to the intent or in trust to be re-enfeoffed, or to the intent to be vouched, or to the intent to suffer a recovery ; and the special

<sup>1</sup> In the Statute 50 Edw. III. c. 6, the taking the profits by one where the estate at law is in another is recognized ; and in 7 Rich. II. c. 12, the word use (*oeps ad opus*, 2 Pollock and Maitland's History of English Law, 227) is first mentioned. Bacon, 23, 25 ; 1 Spence Eq. 440.

<sup>2</sup> See Perry on Trusts, § 300.

<sup>3</sup> Essay on Uses, 9. See also Hutchins v. Heywood, 50 N. H. 497.

<sup>4</sup> See Sanders, Uses and Trusts, 6 ; Lewin on Trusts (10th Eng. ed.), p. 5 ; 1 Spence Eq. 448.

<sup>5</sup> Delamere's Case, Plowden, 346 ; Co. Litt. 272 b.

trust unlawful, or covinous trust, as a trust to defraud creditors, or for maintenance, for defeating the tenancy to the præcipe, the statutes of mortmain, or the wardship of lords.

The courts of common law took no cognizance of these equitable interests, and the only remedy which the beneficiary enjoyed was by means of a subpoena out of chancery.<sup>1</sup> Trusts of both descriptions had their origin either in fraud or fear.<sup>2</sup> In fraud, for they were designed originally by ecclesiastics for the purpose of evading the statutes of mortmain, and were subsequently made use of in order to effectuate some covinous intent on the part of the feoffee, such as to defraud a lord of his wardship or creditors of their remedy for their debts; in fear, for the effectiveness of this method of defeating strictly legal rights was soon readily taken advantage of during the disputes between the Houses of York and Lancaster, which began with Bolingbroke's usurpation in the reign of Richard II., in order to avoid the forfeitures with which the alternately successful parties visited the estates of their adversaries. Uses and special trusts, therefore, grew into a system, and they came to be governed by well-established principles. As beneficial interests rested solely upon the conscience of the feoffee, corporations were held not to be capable of a seisin to use, for they had no *souls*.<sup>3</sup> The king or queen could not be a feoffee to uses, for it was thought inconsistent with the royal dignity that such a confidence should be enforced against a sovereign at the suit of a subject. Hence, when the Duke of Gloucester, to whom many estates had been conveyed in trust, acquired the crown, a special statute was passed in order to remedy the mischief which

<sup>1</sup> "A trust," said Lord Hardwicke, 'is where there is such a confidence between parties that no action at law will lie;' *Sturt v. Mellish*, 2 Atk. 612. See, also, *Allen v. Imlett*, Holt, 641; *Vanderstegen v. Witham*, 6 M. & W. 457; *Bond v. Nurse*, 10 Q. B. 244; *Edwards v. Lowndes*, 1 El. & Bl. 81; *Millard's Case*, 2 Freem. 43. Nor had the spiritual courts any jurisdiction. See *Witter v. Witter*, 3 P. Wms. 102; *King v. Jenkins*, 3 Dow. & R. 41; *Edwards v. Graves*, Hob. 265; *Farrington v. Knightly*, 1 P. Wms. 549. See further on the subject

*McCartney v. Bostwick*, 32 N. Y. 53; *Dorsey v. Garey*, 30 Md. 489. In Pennsylvania the *cestui que trust* may enforce the right to the possession of real estate, even as against the trustee, by an action of ejectment. *Kennedy v. Fury*, 1 Dall. 76.

<sup>2</sup> See the argument of Sir Robert Atkyns in *Att.-Gen. v. Sands*, Hard. 491. "Trusts and uses," he said, "have the same parents, fraud and fear; and the same nurse, a court of conscience."

<sup>3</sup> *Sanders*, 57-87; *Jenkins*, 195.

would otherwise have arisen from the incapacity of enforcing trusts as against the king.<sup>1</sup>

In addition to *confidence of person, privity of estate* was also necessary. No person could be seized to a use who was not *in* of the same estate as that of which the use had been declared. All persons who came in by title paramount, all persons who were *in* in the *post* and not in the *per*, took the estate free of the use. Such was the lord who was in by escheat, or a tenant by the curtesy. So also a disseisor, abator, or intruder.<sup>2</sup>

A consideration was necessary to raise a use where the conveyance was one which did not *operate by transmutation of possession*; and no use could be raised either of personal inheritances, such as annuities, or of things *quæ ipso usu consumuntur*, such as commons or ways in gross.

While the feoffee to uses was, in the eye of the law, the real owner, the *cestui que use* could exercise many acts of ownership over the use which no holder of a legal title could enjoy over land itself. He could devise it, he could alien it,<sup>3</sup> and it descended according to the rules of common law in respect to inheritances of land. His right to the land, however, was a mere *chose in action*, a mere right to sue out a subpoena in chancery, and it was liable to be defeated by the alienation of the holder of the legal title. It was subject to the feudal duties of the feoffee to uses, and to the dower of his wife, and to the danger of being forfeited for his treason or felony; and it could not, originally, be enforced against his heir.<sup>4</sup>

In the reign of Richard III. a very important statute<sup>5</sup> was passed affecting the rights and powers of the *cestui que use*. That statute, after reciting the mischief growing out of un-

<sup>1</sup> Stat. 1 Rich. III. c. 5. See *Hodge v. Att.-Gen.*, 3 Younge & Col. 342.

But in later times it seems to have been thought that there could be a "royal trustee," subject to the practical difficulty of enforcing a trust against a monarch. See *Penn v. Lord Baltimore*, 1 Ves. Sr. 453; *Earl of Kildare v. Eustace*, 1 Vern. 439, note 1; *Perry on Trusts*, § 40. See particularly *Briggs v. Light-boats*, 11 Allen, 157, where the authorities upon the subject of the sovereign's

immunity from suit are collected. See, also, *Prioleau v. United States*, L. R. 2 Eq. 659; and *New v. Bonaker*, L. R. 4 Eq. 655.

<sup>2</sup> *Sanders*, 55, 61, 62; 1 *Spence Eq.* 445.

<sup>3</sup> But a subpoena was not assignable in a case of a bare trust and confidence. See *Bacon, Uses*, note to p. 16, *Rowe's edition*. See *Moyle Finch's Case*, 4 Inst. 86.

<sup>4</sup> *Sanders*, 67; 1 *Spence Eq.* 445.

<sup>5</sup> 1 Rich. III. c. 1.

known and privy feoffments, provided in substance that the *cestui que use* should have the power of alienating not only the use but the possession also, or, in other words, that an alienation by the *cestui que use* should "have the same effect as if he had the legal ownership."

It has been argued by Mr. Sanders that prior to the statute of Richard III. it had been determined that on a feoffment for life or in tail, or a grant for a term of years, there could be no declaration of a use, and that a subpoena would not lie against a person so seised, the reason being "that as to the state or seisin of a tenant in tail no use could be limited upon it; first, because the tenure of itself created a valuable consideration; and, secondly, because the statute *de donis* had appropriated and fixed the estate tail to the donee and the heirs of his body, so that neither he nor they could execute the use;" and as to the tenant for life, "the consideration of tenure between the lessor and lessee appears to have been incompatible with the use;"<sup>1</sup> while as to the interest of a termor, "it was supposed that the contract between the lessor and lessee, and the consideration upon which the latter took the lease, were incompatible with and repugnant to the nature of a use declared to any other person."

The point is not of any great practical importance, except as illustrating the gradual extension of equitable interests to all degrees of estates, for the statute of Henry VIII. included uses declared upon the seisin of a tenant for life (showing their existence at that time); and courts of equity, after the passage of that statute, began to enforce confidences declared upon terms for years, not as the old-fashioned uses, but as trusts.<sup>2</sup>

The point is also of importance as showing the true nature and extent of a *trust*, for the definition sometimes given of a trust, viz., that it is a use not executed by the statute of Henry VIII.,<sup>3</sup> is too limited, if *use* is employed in its strict technical sense.

The modern trust includes not only those technical *uses* which were not executed by the statute, but also equitable interests

<sup>1</sup> Sanders, U. & T. 28. It will be observed that this argument has no application where the life estate was not *created*, but merely *transferred* by the conveyance. See Lewin (10th Eng. ed.) 4; 1 Cruise Real Prop. 350.

<sup>2</sup> See Sanders, U. & T. 32.

<sup>3</sup> 1 Cruise Real Prop. 380; Perry on Trusts, § 300. See, also, The Fing and Holland, Styl. 40.



which never were considered uses,<sup>1</sup> and did not, therefore, fall within the provisions of the statute. These equitable interests, in common with the unexecuted uses, received the name of trusts.<sup>2</sup> It may be remembered here that the term "trust" did not include every interest in land recognized in the Court of Chancery. The equity of redemption of a mortgagor, for example was an equitable interest analogous to a trust, but nevertheless distinct and different from it.<sup>3</sup>

To return to the statute of Richard III.; a difficulty arose which seems not to have been foreseen, viz., that while the power of alienation was conferred upon the *cestui que use*, no restraint was imposed upon the like power which already existed in the feoffee to uses. Hence, if a conveyance were made by the latter, his alienee might and did interfere with the enjoyment of the alienee of the *cestui que use*. This highly unsatisfactory condition of titles led, among other things, to the enactment of the famous Statute of Uses, 27 Henry VIII. c. 10.

### 53. Statute of Uses; 27 Hen. VIII. c. 10.

The provisions of this statute are well known. It enacted, in substance, that wherever any person,<sup>4</sup> by any assurance, stood seized to the use of another for any estate the *cestui que use* should be deemed to be in lawful seisin and possession of the same estate in the land itself as he had in the use. In the language of conveyancing, it transferred the use into a possession, or executed the use. Its objects, according to the preamble, were "for the extirping and extinguishment of all such subtle practiced feoffments, fines, recoveries, abuses, and errors heretofore used and accustomed in this realm, \* \* \* and to the intent that the king's highness, or any other his subject of this realm, shall not in any wise hereafter, by any means or inventions be deceived, damaged, or hurt by reason of such trusts, uses, and confidences;" and in addition to conferring upon the *cestui que use* the legal title to and the possession of the land, it

<sup>1</sup> Sanders, U. & T. 32.

<sup>2</sup> "In modern times trust estates are extremely analogous to uses before the statute of uses. I do not say they are always exactly the same." See Lord Cranworth in Penny v. Allen, 7 DeG. M. & G. 422.

<sup>3</sup> Sanders, U. & T. 279; Tucker v.

Thurstan, 17 Ves. 133. "Trusts were not on a true foundation until Lord Nottingham held the great seal." Burgess v. Wheate, 1 Eden, 223; Philips v. Brydges, 3 Ves. 127; Kemp v. Kemp, 5 Ves. 858; Perry, § 8.

<sup>4</sup> A firm is not a person; Silverman v. Kristufek, 162 Ill. 230.

gave him the power to protect his possession by action or entry against any person "for any waste, disseisin, trespass, condition broken, or any other offence" touching the same.

Besides this statute, Parliament in the same year passed another act for the purpose of putting a stop to secret conveyances. This was the statute for "enrolment of bargains and sales,"<sup>1</sup> which provided for the registration of all bargains and sales of land, whereby any estate of inheritance or freehold should be made to take effect in any person, or any use of the same should be made.

The objects, however, which these statutes professed to have in view were soon defeated.

The statute in regard to bargains and sales provided only for the enrolment of such deeds as attempted to pass freehold estates, and did not apply to terms for years. Hence arose the well-known system of conveyance by lease and release, whereby a lease for a year was made, by bargain and sale, and the lessee being then in possession by virtue of the statute of uses, became capable of receiving a release of the fee.<sup>2</sup>

The construction placed upon the statute of uses, also, limited its operation to a great degree.

It was considered that copyholds did not fall within the purview of the statute, because it was against the nature of copyhold tenure that any one should be introduced into the estate without the consent of the lord.<sup>3</sup> It was decided that a use limited upon a use was not executed by the statute;<sup>4</sup> or, in

<sup>1</sup> 27 Henry VIII. c. 16.

<sup>2</sup> See *Hurst's Lessee v. McNeil*, 1 Wash. C. C. 74.

<sup>3</sup> Gilbert's Tenures, 170; Co. Litt. 272, a; Butler's Notes, § viii. 2.

<sup>4</sup> *Home no poet vender terre al J. S. al use le vendor, ne lesser terre al luy rendrant rent, habend al use del lessor, car ces est contrarie al ley et reason, car il ad recompence pur ceo.* 36 Hen. VIII., B. N. C. 284. This was the decision of the common-law courts, so that the statute of uses does not seem to have been very popular. Before the statute of uses chancery would not allow a use to be declared in opposition to the consideration,

and the chancery rule was the same as that afterwards laid down at law in the case in *Little Brooke*. After the statute the common-law courts adopted the chancery rule, and equity then went one step farther. The doctrine at law was not so much that a use upon a use was not executed, as that a use could not be limited upon a use, for the first use was supposed to have exhausted the consideration, and there was nothing to support the second use. Therefore it dropped out of sight at law. It had no existence in the eye of the law, and of course the legal title could not attach itself to it. See, also, *Tyrrel's Case*,

other words, that the statute acted but once in the same conveyance; and by this means a statute "made upon great consideration, introduced in a solemn and pompous manner," by this strict construction, has had no other effect than to add at most three words to a conveyance.<sup>1</sup> It was also held that where the feoffee to uses was to convey the land, or to collect and pay over the profits, the use was not executed.<sup>2</sup> The uses which were not executed by the statute have been grouped by Mr. Sanders into six classes as follows: 1. Contingent uses, which are not executed during the suspense of the contingency; 2. Uses limited of copyhold lands; 3. Devises to uses;<sup>3</sup> 4. Active trusts, such as to pay over profits, convey or sell, or to preserve contingent remainders;<sup>4</sup> 5. Uses limited of chattel interests; 6. A use upon a use.<sup>5</sup> Probably, however, all the classes into which the uses which survived the statute have been divided may be classified under two general heads: *first*, those uses which, though falling within the terms of the statute, were released from its operation by the construction put upon it by the courts, of which the use upon a use is an example; and *second*, those uses which did not fall within the language of the statute, such as uses of chattel interests.<sup>6</sup> Whatever sub-

Dyer, 155, *a*; Doe *dem.* Lloyd v. Passingham, 6 Barn. & Cres. 305; Sanders, 276; Reid v. Gordon, 35 Md. 183; Croxall v. Shererd, 5 Wall. 268; Matthews v. Ward, 10 Gill & Johns. 443; Perry on Trusts, § 6. See, also, Smith v. Oliver, 11 S. & R. 257, where it was held that a trust could not exist as to a mere improvement right which was simply an equity against the Commonwealth.

The rule stated in the text was of great practical importance in the method of conveyance known as *bargain and sale*. By a bargain and sale the vendor of the land by force of the pecuniary consideration of the contract became seised to the use of the vendee, and it was that use, so created, that the statute executed into a legal estate in the vendee. Hence, as under the above rule the statute never acted but once in the

same conveyance, it followed that all the limitations ulterior to that of the conveyance were unexecuted; in other words, were *trusts*. See Matthews v. Ward, 10 Gill & Johns. 444; Preston on Conveyancing, 482, 483.

<sup>1</sup> Hopkins v. Hopkins, 1 Atk. 591.

<sup>2</sup> Sanders, 253.

<sup>3</sup> Though as to this, see Doe *dem.* Cooper v. Finch, 4 Barn. & Ad. 305.

<sup>4</sup> Kay v. Scates, 37 Pa. 37; Hart v. Bayliss, 97 Tenn. 80; Pugh v. Hayes, 113 Mo. 424; Johnson v. Lee, 228 Ill. 167.

<sup>5</sup> Sanders on Uses, 240 *et seq.*

<sup>6</sup> After the passage of the statute of uses interests in land were therefore of three kinds—(1) the common-law (or legal) fee; (2) the use; (3) the trust. See Willett v. Sandford, 1 Ves. 186; Coryton v. Helyar, 2 Cox, 342; Perry on Trusts, § 7.

division, however, may be suggested by the convenience or fancy of authors, all of these equitable interests, now under consideration, may be treated as embraced in the one great family of modern trusts, the origin of which having been noticed, it will now be proper to proceed to the consideration of their different kinds, their manner of creation, and the purposes for which they are ordinarily called into existence.

#### 54. General Nature of Trusts ; Active and Passive Trusts.

Trusts in respect of the general nature of the duties of trustees, and the object for which the trust is created, may be divided into active and passive, lawful and unlawful, executed and executory, private and public.

An active or special trust scarcely requires definition. It exists when a trustee has certain duties to perform which render it necessary, for the purposes of the trust, that the legal title should remain in him. When this is the case the *cestui que trust* is entitled only to the beneficial interest, and cannot call upon the trustee to convey. For example : where there is a trust for the payment of debts, the trustee must necessarily have the legal title of the trust property in him in order to get in the assets, turn them into cash, and discharge the liabilities. The creditors whose debts are to be paid have, therefore, no right to the legal title of the property or to its possession. They have simply an interest, which a court of equity will protect, in seeing that the trust is properly carried out.

A passive (or, as it is sometimes called, a simple) trust has been defined to be a trust in which the property is vested in one person upon trust for another, and the nature of the trust, not being qualified by the settlor, is left to the construction of the law. In this case the *cestui que trust* has *jus habendi*, or right to be put in actual possession of the property, and *jus disponendi*, or the right to call upon the trustee to execute conveyances of the legal estate as the *cestui que trust* directs.<sup>1</sup>

#### 55. When Trusts will be executed by the Statute ; Rules in several States.

A trust, which at the time of its creation is a simple or passive trust, will be executed by the statute of uses, the mere

<sup>1</sup> Lewin (10th Eng. ed.), 16. See *McCune v. Baker*, 155 Pa. 503; *Mills v. Johnston*, [1894] 3 Ch. 204; *Kenzie v. Sumner*, 114 N. C. 425.

circumstance that the word "trust" is used instead of the word "use" making no difference.<sup>1</sup> But where a trust which has been once active becomes passive, or where for any reason the trustee becomes the holder of a mere dry legal estate, such a trust is not necessarily executed by the statute, but the legal title may remain in the dry trustee.<sup>2</sup> If the mere fact that the trustee had active duties to perform was the only circumstance that had prevented the statute from operating, the trust will be executed when the active duties have ceased.<sup>3</sup> But if the non-execution of the trust by the statute did not originally and solely depend upon the activity of the trust, the fact that the trust has ceased to be active will not of itself cause the statute to apply.<sup>4</sup> Under such circumstances, however, the trustee is bound to convey the legal title at the request of the *cestui quæ trust*; <sup>5</sup> and after a great lapse of time, and in support of long continued possession on the part of the person holding the beneficial interest, such conveyance will be presumed.<sup>6</sup>

Even if the purposes of the trust have not been all accomplished, or the trust may not have ceased by expiration of time, yet if all the *cestuis quæ trustent* are in existence and *sur juris*, and consent thereto, the courts may decree the determination of the trust and a distribution of the trust-fund among those entitled.<sup>7</sup>

In Pennsylvania the courts have departed from the English doctrine in two particulars; first, in regarding some trusts *not* to be active which in England would have been so considered; and, secondly, in holding that, in passive trusts, the use was executed by the statute in cases in which in England the ruling

<sup>1</sup> Austen v. Taylor, 1 Eden, 361; Lewin on Trusts (10th Eng. ed.), 223-235.

<sup>2</sup> Hill on Trustees, 316.

<sup>3</sup> See Perry on Trusts, § 351; Welles v. Castles, 3 Gray, 323; Liptrot v. Holmes, 1 Kelley (Ga.), 381; Hooper v. Felgner, 80 Md. 271-272; Hopkins v. Kent, 145 N. Y. 368.

<sup>4</sup> See Perry on Trusts, § 351.

<sup>5</sup> Hill on Trustees, 316; Leonard's Lessee v. Diamond, 31 Md. 541; Sherman v. Dodge, 28 Vt. 30; see Healey v. Alston, 25 Miss. 192.

<sup>6</sup> Leonard's Lessee v. Diamond, 31

Md. 541-542; Matthews v. Ward, 10 Gill & Johns. 443; Jackson v. Pierce, 2 Johns. 226; Aikin v. Smith, 1 Sneed, 304; Den ex dem. Obert v. Bordina, 20 N. J. Law, 394; Hill on Trustees, 253.

<sup>7</sup> Smith v. Harrington, 4 Allen, 576; Bowditch v. Andrew, 8 Id. 339; Culbertson's Appeal, 76 Pa. 148; Armistead v. Hartt, 97 Va. 316; Nye v. Koehne, 22 R. I. 118; Perry on Trusts, §§ 274, 922; Eakle v. Ingram, 142 Cal. 15; Tilton v. Davidson, 98 Me. 55; Welch v. Episcopal Theological School, 189 Mass. 108; Olsen v. Youngerman, 136 Ia. 404.

would have been different. "Many trusts," it has been said,<sup>1</sup> "which would be classed as active ones in England would be regarded here (in Pennsylvania) as passive, as, for example, the distinction between the trust to receive and pay and one to permit and suffer the *cestui que trust* to receive is not recognized." Indeed this doctrine was at one time pushed to great lengths; and it was held in *Kuhn v. Newman*,<sup>2</sup> and some other cases,<sup>3</sup> that *equitable* were converted into *legal* estates in all cases except those of active trusts, and even *then* when the purposes of the trust did not furnish any legitimate reason for preserving it from being executed in the beneficiary. This extreme position was, however, subsequently abandoned, and the cases just cited overruled,<sup>4</sup> and the law is now held to be that where an active trust is created to give effect to a well-defined lawful purpose, the trust must be sustained whether the *cestui que trust* be *sui juris* or not.<sup>5</sup> And, even if the special purpose of the trust fails, it has been held that, where the duties of the trustee and the instrument creating the trust are of such a character that an ulterior purpose for maintaining the trust is sufficiently evinced, the trust will be supported.<sup>6</sup> And *à fortiori* is this the case when one special purpose of the trust (such as for *coverture*)

<sup>1</sup> In *Rife v. Geyer*, 59 Pa. 306. See *Philadelphia Trust Co.'s Appeal*, 93 Id. 209; and *Hemphill's Estate*, 180 Id. 95.

<sup>2</sup> 26 Pa. 227.

<sup>3</sup> *Whicote v. Lyle's Ex'rs*, 28 Pa. 73; *Bush's Appeal*, 33 Id. 85. See also *Williams v. Leech*, 28 Id. 89; *Price v. Taylor*, Id. 95; *Naglee's App.*, 33 Id. 89; *McKee v. McKinley*, Id. 92; *Kay v. Scates*, 37 Id. 31.

<sup>4</sup> *Barnett's App.*, 46 Pa. 392; *Shankland's App.*, 47 Id. 113; *Wickham v. Berry*, 55 Id. 71; *Hays's Estate*, 184 Id. 386.

<sup>5</sup> *Williams's Appeals*, 83 Id. 377; *Phillips's Appeal*, 80 Id. 472; *Earp's Appeal*, 75 Id. 119; *Huber's Appeal*, 80 Id. 348; *Ashhurst's Appeal*, 77 Id. 464; *Deibert's Appeal*, 78 Id. 297; *Keene's Est.*, 81 Id. 133. See *Parker's Appeal*, 61 Id. 478; *Little v. Wilcox*, 119 Id. 439; *Watson's Ap-*

*peal*, 125 Id. 345; and *Cooper's Estate*, 150 Id. 576.

<sup>6</sup> *Bacon's Appeal*, 57 Pa. 512; *Dunn & Biddle's Appeal*, 85 Id. 94; *Ash's Appeal*, 80 Id. 497; *Deibert's Appeal*, 83 Id. 462; *Fidelity Ins. Co.'s Appeal*, 35 Leg. Int. 203; *Ingersoll's Appeal*, 86 Pa. 240; *Livesey's Appeal*, 106 Id. 201.

Where a testator by a codicil revokes an absolute devise previously given to his son in his will, and in apt words creates for the son a spendthrift trust pure and simple, the fact that the codicil also contains an express prohibition against liability for the "support, contracts, debts or engagements," of the son's present wife, naming her, and directs that such wife shall derive no benefit from the income or principal of the trust estate, the court has no power after the death of the testator and after

fails, yet another object (as, for instance, the protection of remaindermen) subsists.<sup>1</sup>

But when the special purpose of the trust has been determined, and no general intention to establish a continuing trust outside the special purpose appears, the trust will fall. Thus, when a trust for the sole and separate use of a married woman has been created, and the trust is one for coverture merely, and the feme subsequently becomes discovert, the trust will be treated as executed, or, if necessary to make the title marketable, the trustee will be decreed to convey.<sup>2</sup> Nor is the trust preserved by the mere circumstance that the machinery of an active trust has been created if, in the point of fact, the object for which that machinery was designed has failed. "The mere form of words," it has been said,<sup>3</sup> "importing an active trust does not sustain the trust if the purpose of its creation should fail." And in *Ogden's Appeal* <sup>4</sup> it was said by the same judge: "The trust for coverture, not being in immediate contemplation of marriage, never took effect, and the active duties having sole reference to this supposed trust necessarily fell with it. An active trust, having no object to accomplish for the benefit of the *cestui que trust*, clearly will not be continued for the mere benefit or pleasure of the trustee. The object of the testator having failed or ceased, the law will execute the use."

The other departure of the Pennsylvania doctrine from the English rule is that, in some cases where in England the trust would not be executed (*e. g.*, where there is a mere trust to convey),<sup>5</sup> the severance of the legal and equitable titles will not be considered to exist, and the legal fee will be treated as having passed to the beneficial owner.<sup>6</sup> "It is true that we have in some cases decreed conveyances from a trustee to a *cestui que trust* when the purpose of the trust has been fulfilled, but this

the son has secured a divorce from his wife, to declare the trust ended, and direct a payment and transfer of the trust estate to the son free and discharged from the trust. *Van Leer v. Van Leer*, 221 Pa. 195.

<sup>1</sup> *Kuntselman's Estate*, 136 Pa. 151. See, also, *Seitsinger's Estate*, 170 Id. 529, 530; and *Wolfinger v. Fell*, 195 Id. 12.

<sup>2</sup> *Dodson v. Ball*, 60 Pa. 492.

<sup>3</sup> In *Yarnall's Appeal*, 70 Pa. 339;

*Bristor v. Tasker*, 135 Id. 117. To the same effect is *Koenig's Appeal*, 57 Id. 352.

<sup>4</sup> 70 Pa. 501. The same ruling was also made in *Williams's Appeals*, 83 Pa. 377, 390; see, also, *Carson v. Fuhs*, 131 Id. 256.

<sup>5</sup> See *Yarnall's Appeal*, 70 Pa. 335; *Barnett's Appeal*, 46 Id. 392; *Nice's Appeal*, 50 Id. 143.

<sup>6</sup> *Bacon's Appeal*, 57 Pa. 504.

was not because the legal and equitable titles remained apart. It was to dissipate a useless cloud upon the title and to make the property more marketable."<sup>1</sup>

And in *Rife v. Geyer*<sup>2</sup> it was said that in Pennsylvania, "when- ever the entire beneficial interest is in the *cestui que trust* with- out restriction as to the enjoyment of it, there is no reason why it should not be considered as actually executed. No formal conveyance of the legal estate is necessary, though it will be decreed, because the nominal trust beclouds the title and em- barrasses the rights of alienation which belong to the true owner."<sup>3</sup>

The return of trusts into favor, as shown by *Barnett's Ap- peal*<sup>4</sup> and *Shankland's Appeal*,<sup>5</sup> is further illustrated by subse- quent cases, cited in the note, in which the trusts were upheld.<sup>6</sup> These last-mentioned cases are illustrations of that portion of the rule, just mentioned, which has relation to the quantity of the estate vested in the beneficiary. When the *entire* bene- ficial interest is vested in the beneficiary, and the trust has be- come a simple or passive one, the use will be considered as exe- cuted, or (if needful for the marketability of the title) the trustees will be decreed to convey.<sup>7</sup> But where the estate of the bene- ficiary is but partial, the same rule does not apply, and the trust will be sustained.<sup>8</sup>

The Pennsylvania decisions upon this subject have been no- ticed with some particularity, as in them the distinctions be- tween active and passive trusts, and between those which are and those which are not executed by the statute, have been, perhaps, more frequently investigated than elsewhere; and the fluctuations of opinion which have taken place upon the subject

<sup>1</sup> *Bacon's Appeal*, 57 Pa. 504.

<sup>2</sup> 59 Pa. 396. Approved in *Cham- berlain v. Maynes*, 180 Id. 39-42.

<sup>3</sup> See also *Kay v. Scates*, 37 Pa. 40; *Megargee v. Naglee*, 64 Id. 216; *Kuhn v. Newman*, 26 Id. 227; *Rush v. Lewis*, 21 Id. 72; *Bush's Appeal*, 33 Id. 85; *Bacon's Appeal*, 57 Id. 504; *Frey- vogle v. Hughes*, 56 Id. 228; *Westcott v. Edmunds*, 68 Id. 37; *Tucker's Ap- peal*, 75 Id. 354. See, also, in this connection, *Hayes v. Tabor*, 41 N. H. 521. Reference may also be had to *Roberts v. Moseley*, 51 Mo. 282, where

it was held that, on the death of a *feme covert*, the separate use will be considered as executed without the necessity of a conveyance.

<sup>4</sup> 46 Pa. 392.

<sup>5</sup> 47 Id. 113.

<sup>6</sup> *Earp's Appeal*, 75 Pa. 119; *Ash- hurst's Appeal*, 77 Id. 464; *Spring's Estate*, 216 Pa. 529.

<sup>7</sup> See *Sharpless's Estate*, 151 Pa. 214.

<sup>8</sup> See *Earp's Appeal*, *Ashhurst's Appeal* (*supra*). See, also, *Stam- baugh's Estate*, 135 Pa. 585.



have furnished an episode in the history of trusts which it is useful to study.

At one time no court possessed of equity powers existed in Massachusetts. It was accordingly held, while the law was in that condition, that a trust should be treated as a use executed, unless such a construction would be repugnant to the manifest intention of the instrument.<sup>1</sup> It will be remembered, however, that the courts of that state now have equity powers.<sup>2</sup>

In some states, as in New York, Michigan, Louisiana, and Wisconsin, trusts have been abolished, except within very narrow limits.<sup>3</sup> In the state last named, however, it has been held that passive trusts only were abolished by the statute, and that active trusts may still be created.<sup>4</sup>

The provision of the statute of uses, and the construction put upon that act, have been already explained.<sup>5</sup> In nearly all of the United States this statute is in force or its provisions have been adopted by legislative enactments.<sup>6</sup> The only exceptions to this rule appear to be Vermont,<sup>7</sup> Tennessee,<sup>8</sup> and Ohio,<sup>9</sup> and, to a limited extent, Virginia, North Carolina, Florida, Mississippi, Kentucky, Illinois, and California.<sup>10</sup> Even in some states where the statute is not in force, and has not been applied, uses are executed by a sort of common law.<sup>11</sup> This theory was in-

<sup>1</sup> Norton v. Leonard, 12 Pick. 157.

<sup>2</sup> *Ante*, p. 24.

<sup>3</sup> See Voorhees v. Presbyterian Ch., 17 Barb. 103; Campbell v. Campbell, 70 Wis. 311; Hannig v. Mueller, 82 Wis. 235.

<sup>4</sup> Goodrich v. The City of Milwaukee, 24 Wis. 429. See Backhaus v. Backhaus, 70 Id. 518; Holmes v. Walter, 118 Wis. 409. In Georgia a trust estate cannot be created for the benefit of persons *vis à vis*; in such a case the statute of uses immediately transfers the legal estate to the use and no trust is created, although express words of trust be used. Thompson v. Sanders, 118 Ga. 928.

<sup>5</sup> *Ante*, pp. 85, 86, 87.

<sup>6</sup> See Perry on Trusts, § 299, note, for a detailed statement of the statutes and decisions in the different states; also, French v. French, 3 N. H.

234; Witham v. Brooner, 63 Ill. 344; Hutchins v. Heywood, 50 N. H. 497; and Melick v. Pidecock, 44 N. J. Eq. 525; Teller v. Hill, 18 Colo. App. 509.

<sup>7</sup> Gorham v. Daniels, 23 Vt. 600.

<sup>8</sup> Jourolmon v. Massengill, 86 Tenn. 91; Temple v. Ferguson, 110 Tenn. 84.

<sup>9</sup> Helfenstine v. Garrard, 7 Ohio (O. S.), 276.

<sup>10</sup> Perry on Trusts, § 299; McCurdy v. Otto, 140 Cal. 48; Fair's Estate, 132 Cal. 523, and West Virginia, Blake v. O'Neal, 63 W. Va. 483.

<sup>11</sup> Bacon v. Taylor, Kirby, 368; Bryan v. Bradley, 16 Conn. 483; Coughlin v. Seago, 53 Ga. 250; Sherman v. Dodge, 28 Vt. 31; Society for Propagation of the Gospel v. Town of Hartland, 2 Paine C. C. 539; Guest v. Farley, 19 Mo. 149.

deed pushed to great lengths in Pennsylvania, where (as has been already stated) it was at one time held that *equitable* were converted into legal estates in all cases except those of active trusts, and even *then* when the purposes of the trust did not furnish any legitimate reason for preserving it from being executed in the beneficiary.<sup>1</sup> But this extreme position was subsequently abandoned by the courts, and the law restored to its former basis.<sup>2</sup>

The general tendency of the American courts is, perhaps, to give a very liberal effect to the statute of uses and the kindred acts. Thus, the strict rule adopted in *Tyrrel's case*, that a use limited upon a use will not be executed, has been disapproved in Massachusetts;<sup>3</sup> and it has been doubted by a learned author whether the rule in *Tyrrel's case* is to be regarded as a rule of construction in all or any of the United States.<sup>4</sup> But in some states the rule in *Tyrrel's case* is adhered to. Thus, in *Guest v. Farley*,<sup>5</sup> it was distinctly decided that where a use was limited upon a deed of bargain and sale, it was not executed by the statute, even though the consideration moved from the *cestui que use*.

It must be remembered that the statute of uses did not extend to personalty; and this is perhaps the general rule throughout the United States, although the subject is, of course, regulated by the language of the particular statute in each state.<sup>6</sup>

When active duties are to be performed by the trustee the

<sup>1</sup> *Kuhn v. Newman*, 26 Pa. 227; *Whichcote v. Lyle's Ex'rs*, 28 Id. 73; *Bush's Appeal*, 33 Id. 85. See, also, *Williams v. Leech*, 28 Id. 89; *Price v. Taylor*, Id. 95; *Naylor's Appeal*, 33 Id. 89; *McKee v. McKinley*, Id. 92; *Kay v. Scates*, 37 Id. 31.

<sup>2</sup> *Barnett's Appeal*, 46 Pa. 392; *Shankland's Appeal*, 47 Id. 113. See, also, *Bacon's Appeal*, 57 Id. 504. In *Ogden's Appeal*, 70 Id. 501, there was a trust for the sole and separate use of a *feme sole* not in contemplation of marriage; and it was held that, as the separate use was void, the trust fell to the ground in spite of the fact that the trustees had active duties to perform. Consult, also,

*Yarnall's Appeal*, 70 Pa. 335; *Dodson v. Ball*, 60 Id. 492; *Tucker's Appeal*, 75 Id. 354; and *Megargee v. Naglee*, 64 Id. 216.

<sup>3</sup> *Per Dana, C. J.*, in *Thatcher v. Omans*, 3 Pick. 528.

<sup>4</sup> 1 *Greenleaf's Cruise on Real Prop.* 353, note; *Perry on Trusts*, § 302.

<sup>5</sup> 19 Mo. 147. See, also, *Price v. Sisson*, 13 N. J. Eq. 173; *Croxall v. Shererd*, 5 Wall. 282; *Jackson v. Myers*, 3 Johns. 396; and *Jackson v. Cary*, 16 Id. 302.

<sup>6</sup> *Denton v. Denton*, 17 Md. 403; *Slevin v. Brown*, 32 Mo. 176; *Rice v. Burnett*, 1 Speer's Rep. 586; *Perry on Trusts*, § 30

rule in the United States is generally the same as in England, and the trust will not be executed.<sup>1</sup>

### 56. Lawful and Unlawful Trusts.

Trusts may either be *lawful* or *unlawful*. A lawful trust is one which is created for some fair and honest purpose recognized by law; such as for the payment of debts, for a married woman, for a proper charity, or the like. Trusts are unlawful when they are created for some object which is in contravention of public policy, or in violation of statutes. Thus a trust for a vicious or immoral purpose would be void at common law, because it is against public propriety and policy. So trusts in violation of the statutes of mortmain, of the statutes in regard to aliens, or of the law against accumulation, or the creation of perpetuities, are also bad.<sup>2</sup> Equity, while it creates a new title, viz., the trust, will not uphold it for the purpose of violating the law.<sup>3</sup>

### 57. Executed and Executory Trusts.

Trusts are also either *executed* or *executory*. These terms have been already defined.<sup>4</sup> The test, according to Lord St. Leonards, is this: Has the testator been what is called, and very properly called, his own conveyancer? Has he left it to the court to make out from general expressions what his intention is; or has he so defined that intention that you have nothing to do but to take that which he has given to you and to convert them into legal estates?<sup>5</sup>

<sup>1</sup> Stanley v. Colt, 5 Wall. 119, 168; Leggett v. Perkins, 2 Comst. 297; Morton v. Barrett, 22 Me. 261; Exeter v. Odiorne, 1 N. H. 232; Ashhurst v. Given, 5 W. & S. 327; Chapin v. Universalist Soc., 8 Gray, 580. Kidwell v. Godfrey, 14 Haw. 138; Chicago R. R. Co. v. Winslow, 216 Ill. 166. A trust to "permit and suffer" the *cestui que trust* to receive the rents and profits of an estate is not an active trust. Wagstaff v. Smith, 9 Ves. 520; Perry on Trusts, § 306; Hill on Trustees, 233.

<sup>2</sup> It would be impossible in a work like the present to notice these statutes in detail—they vary in different

states. See Perry on Trusts, Chap. XIII.

<sup>3</sup> See Bacon on Uses, 9; Servis v. Nelson, 1 McCart. 94; Perry on Trusts, § 21. See, however, Baker v. Williamson, 4 Pa. 456, and Tritt v. Crotzer, 13 Id. 451.

<sup>4</sup> *Supra*, Introduction, chap. II, p. 29.

<sup>5</sup> Egerton v. Brownlow, 4 H. L. Cas. 210; Sackville-West v. Holmesdale, L. R. 4 H. L. 565; Tillinghast v. Coggeshall, 7 R. I. 383; Gaylord v. La Fayette, 115 Ind. 423; Cornwell v. Orton, 126 Mo. 355; Glenorchy v. Bosville, 1 Lead. Cas. Eq. 1, and notes.

In an executed trust the instrument must be interpreted according to the rules of law, which are, in general, the same for equitable as for legal estates, although by such interpretation the *intention* may be defeated. Thus, if an estate is given to A. and his heirs, in trust for B., for life, with remainder to the heirs of B., the interest which B. will take will be construed, under the rule in *Shelly's case*, to be a fee.<sup>1</sup> But, if the instrument were designed to be merely a minute or draft of a scheme for settling an estate, the same provision would be construed as indicating an intention to give B. an estate for life only, and that the persons designated as heirs should take by purchase. When, therefore, the formal instrument, by which the minute is to be carried out, comes to be drawn, a court of equity will see that a settlement is made which will in due form of legal conveyancing effectuate the intention of the creator of the trust—that is, the conveyance will be drawn in such a way that B. will take but a life estate, and the parties intended to be described by the word “heirs,” will take as purchasers in the remainder.<sup>2</sup>

The distinction between executed and executory trusts was once much shaken by the decision of Lord Hardwicke, in *Bagshaw v. Spencer*;<sup>3</sup> but that learned chancellor subsequently receded from his position,<sup>4</sup> and the difference between the two classes of trusts is now well settled, both in England and America.<sup>5</sup>

In ascertaining the *intention* in cases of executory trusts, it must be remembered that in marriage articles there is always supposed to be a design to benefit the issue of the proposed marriage; but no such intention is presumed to exist in regard to wills. A chancellor, therefore, in decreeing a settlement in

<sup>1</sup> See *Wright v. Pearson*, 1 Eden, 119; *Austen v. Taylor*, Id. 361; *Jones v. Morgan*, 1 Bro. C. C. 206; *Jervoise v. Duke of Northumberland*, 1 J. & W. 539; *Price v. Sisson*, 13 N. J. Eq. 168; *Dennison v. Goehring*, 7 Pa. 177.

<sup>2</sup> *Sackville-West v. Holmesdale, L. R.* 4 H. L. 565; *Wood v. Burnham*, 6 Paige, 513; *Porter v. Doby*, 2 Rich. Eq. 49; *Saunders v. Edwards*, 2 Jon. Eq. 134; *Glenorchy v. Bosville*, 1 Lead. Cas. Eq. 20, and notes; *Perry on Trusts*, § 359; *Yarnall's Appeal*, 70 Pa. 340; *Bacon's Appeal*, 57 Id.

504; *Neves v. Scott*, 9 How. 211; 13 Id. 268; *Jervoise v. Northumberland*, 1 J. & W. 570; *Hooker v. Montague*, 123 N. C. 154.

<sup>3</sup> 2 Atk. 142; 1 Ves. 142, 162.

<sup>4</sup> *Exel v. Wallace*, 2 Ves. 323.

<sup>5</sup> *Dennison v. Goehring*, 7 Pa. 177; *Wood v. Burnham*, 6 Paige, 518; 26 Wend. 9; *Horne v. Lyeth*, 4 H. & J. 434; *Garner v. Garner*, 1 Deasaus. 444; *Loving v. Hunter*, 8 Yerger, 31; *Edmondson v. Dyson*, 2 Kelly, 307; *Berry v. Williamson*, 11 B. Mon. 245.

conformity with marriage articles, will always take care that the issue are provided for; but no such care will be taken in the case of wills, unless in obedience to some intention expressed in the will.<sup>1</sup> As to what will be sufficient evidence of intention, the authorities are not, perhaps, altogether uniform.<sup>2</sup>

Where, however, the intention of the testator to benefit the issue sufficiently appears, the settlement will be made in such a manner as to effectuate that intention.<sup>3</sup> There is, indeed, no difference between the rules applicable to marriage articles and those in regard to wills, further than this, viz., that in the former instruments *res ipsa loquitur*, the occasion itself testifies what the paramount object of the parties must have been.<sup>4</sup>

Where there are executory trusts of personalty, heirlooms, etc., as to which the ordinary limitations applicable to real estate would defeat, in many instances, the intention of the testator, because it would give a tenant in tail (for instance) absolute control, equity will see that the limitations are of such a nature as to prevent the intention from being defeated.<sup>5</sup>

### 58. Reformation of Executory Instruments Creating Trusts.

A court of equity will entertain jurisdiction not only for the purpose of carrying out executory trusts, and seeing that the instrument which purports to fulfil the intention of the settlor really does so, but also for the purpose of reforming conveyances which have been improvidently drawn, and by which the objects sought to be reached by the executory minute or draft have not been attained. Where such an improvident instrument has been executed, equity will, as a general rule, reform it, and order it to be redrawn in such a way as to effectuate the intention of the parties,<sup>6</sup> and the reformation may be decreed ever after the death of the husband.<sup>7</sup> But where both articles and

<sup>1</sup> *Blackburn v. Stables*, 2 Ves. & B. 369; *Sweetapple v. Bindon*, 2 Vern. 536; *Perry on Trusts*, §§ 360, 366.

<sup>2</sup> See American note to *Glenorchy v. Bosville*, *ut sup.*

<sup>3</sup> *Sackville-West v. Holmesdale*, L. R. 4 H. L. 565.

<sup>4</sup> *Id.* This case contains a very full discussion of the law upon this point.

<sup>5</sup> *Stanley v. Leigh*, 2 P. Wms. 690;

*Scarsdale v. Curzon*, 1 Johns. & H. 40; *Shelley v. Shelley*, L. R. 6 Eq. 546.

<sup>6</sup> *Warrick v. Warrick*, 3 Atk. 293. See, also, *Neves v. Scott*, 9 How. 197; *Gause v. Hale*, 2 Ired. Eq. 241; *Smith v. Maxwell*, 1 Hill Eq. 101; *Green v. Rumph*, 2 Id. 1.

<sup>7</sup> *Viant's Settlement*, L. R. 18 Eq. 436; *Smith v. Iliffe*, 20 Id. 666; *Cogan v. Duffield*, Id. 789.

settlement are previous to the marriage, at a time when all parties are at liberty, the settlement differing from the articles will be taken as a new agreement between them, and will control the articles.<sup>1</sup>

If the intention expressed in the minute cannot be carried out without violating some statute or policy of the law, equity will carry it out as nearly as possible, so as to reconcile, as far as may be, the law and the intention of the settlor.<sup>2</sup>

### 59. Public and Private Trusts.

In regard to the division of trusts into public and private trusts, it will be sufficient to remark that public trusts are such as are constituted for the benefit either of the public at large, or of some considerable portion of it answering to a particular description; and that private trusts are those wherein the beneficial interest is vested absolutely in one or more individuals who are, or within a certain time may be, definitely ascertained, and who are, therefore, collectively, unless under some legal disability, competent to control, modify, or determine the trust.<sup>3</sup> The principal difference in the nature of the two kinds of trusts is, that those of a public character are not confined within the limits prescribed for settlements upon private trusts, but are of a more permanent and lasting character. This distinction will be more fully noticed when the subject of charitable trusts (which, indeed, have been said to be synonymous with public trusts)<sup>4</sup> is considered.<sup>5</sup>

In private trusts the devolution of the *cestui que trust's* estate, and the incidents of his ownership are, as a general rule, the same as those of legal estates.

### 60. General Rules for the Devolution of Equitable Estates.

The rules for the descent of equitable estates are the same as those which regulate the devolution of legal titles;<sup>6</sup> equitable interests are within the statute of distributions, and, it is pre-

<sup>1</sup> *Legg v. Goldwire*, Cas. t. Talbot, 20; 1 Lead. Cas. Eq. 17. Unless it is shown that the discrepancy arose from a clear mistake, in which case the settlement will be reformed. *Bold v. Hutchinson*, 5 D., M. & G. 558.

<sup>2</sup> *Humbertson v. Humbertson*, 1 P.

Wms. 632; s. c. 2 Vern. 737; Prec. Ch. 455.

<sup>3</sup> *Lewin*, 18 (10th Eng. ed.). See, also, *Doyle v. Whalen*, 87 Maine, 414-425.

<sup>4</sup> *Id.*

<sup>5</sup> *Post*, chap. V.

<sup>6</sup> *Lewin on Trusts* (10th Eng. ed.),

sumed, fall under the operation of the intestate acts throughout the United States.<sup>1</sup> Whatever would be the rule of law, if it were a legal estate, is applied in equity to a trust estate.<sup>2</sup> A husband is entitled to an estate by the curtesy in his wife's equitable estates of inheritance, even though settled to her separate use;<sup>3</sup> and he will be entitled, at common law, to her equitable personalty, except in so far as his rights are controlled by the doctrine of the wife's equity to a settlement.<sup>4</sup> By an anomalous decision, however, a wife in England is not dowable of a trust estate.<sup>5</sup> But the rule in most of the United States appears to be different, it having in some states been altered by statute;<sup>6</sup> and the point in England has ceased to be of practical importance.<sup>7</sup>

Before the statute of uses it had been decided that the estate of the *cestui que use* was not subject to forfeiture and escheat, but that the feoffee to uses became thereupon the absolute owner.<sup>8</sup> After the statute the same rule was applied to trusts.<sup>9</sup> By a subsequent statute the estate of the *cestui que trust* was forfeited for treason;<sup>10</sup> but upon forfeiture for felony or escheat the trustee took the estate discharged of the trust.<sup>11</sup> Now, by the Intestates Estates Act of 1884 all estates or interests in realty, whether legal or equitable, in respect of which any person dies without an heir and intestate, are subject to the law of

1006; *Cornwell v. Wulff*, 148 Mo. 542.

<sup>1</sup> *Faries' Appeal*, 23 Pa. 29.

<sup>2</sup> *Burgess v. Wheate*, 1 Black. R. 155, 161; *Croxall v. Shererd*, 5 Wall. 281; *Price v. Siason*, 13 N. J. Eq. 174; *Cornwell v. Orton*, 126 Mo. 355.

<sup>3</sup> *Roberts v. Dixwell*, 1 Atk. 607; *Morgan v. Morgan*, 5 Madd. 408; *Follett v. Tyall*, 14 Sim. 125; *Appleton v. Rowley*, L. R. 2 Eq. 139; *Cooper v. MacDonald*, L. R. 7 Ch. D. 288; *Lewin on Trusts* (10th Eng. ed.), 9, 236, 899; *Ege v. Wedlar*, 82 Pa. 86; *Dubs v. Dubs*, 31 Id. 149. Unless there is a clear intention to exclude the husband's title; *Cochran v. O'Hern*, 4 W. & S. 99; *Stokes v. McKibbin*, 13 Pa. 268; *Rigler v. Cloud*, 14 Id. 363.

<sup>4</sup> *Hill on Trustees*, 405; 4 *Kent's Com.* 30; *post*, chap. IV.

<sup>5</sup> *D'Arcy v. Blake*, 2 Sch. & Lef. 387; *Dixon v. Saville*, 1 Bro. Ch. 326; *Mayburry v. Brien*, 15 Pet. 38.

<sup>6</sup> *Williams on Real Prop.* 214, note; *Shoemaker v. Walker*, 2 S. & R. 554; *Smiley v. Wright*, 2 Ohio (O. S.) 507; *Crabb v. Pratt*, 15 Ala. 843.

<sup>7</sup> By the passage of the Dower Act, 3 & 4 Will. IV., c. 105.

<sup>8</sup> See *Burgess v. Wheate*, 1 Eden, 199.

<sup>9</sup> *Att.-Gen. v. Sands*, 1 Hale P. C. 249.

<sup>10</sup> 33 Hen. VIII., c. 20.

<sup>11</sup> *Att.-Gen. v. Sands*; *Burgess v. Wheate* (*supra*); *In re Lashmar* [1891], 1 Ch. 258. See also *Onalow v. Wallis*, 1 Mac. & G. 506; *Sweeting v. Sweeting*, 33 L. J. Ch. 211.

rescheat, in like manner as if the estate or interest were legal.<sup>1</sup> But this rule does not apply to chattels nor to an equity of redemption.

In the United States the opinion is that the state would take both real and personal property as *ultimus hæres*.<sup>2</sup> If the legal title to real estate cannot be taken by an alien, the beneficial ownership cannot be enjoyed by him.<sup>3</sup>

### 61. Alienation of Equitable Estates; Liability for Debts.

The right of alienation, by deed and will, attaches to equitable estates, and any restrictions upon that right are invalid; and moreover the incident of involuntary alienation, or, in other words, the liability of the estate to be taken in execution for the debts of the beneficial owner, also applies to such estates. There may, indeed, be a limitation over upon the bankruptcy or insolvency of the *cestui que trust*, or upon the happening of any event whereby the property may belong to some other person; and such limitations are of frequent occurrence.<sup>4</sup> But the *cestui que trust* cannot hold the property for the purposes of enjoyment freed from the duty of applying it in discharge of his obligations.<sup>5</sup> It is a settled rule of law that the beneficial interest of the *cestui que trust*, whatever it may be, is liable for the payment of his debts, and it cannot be so fenced about by inhibitions and restrictions as to secure to it the inconsistent characteristics of right and enjoyment to the beneficiary and immunity from his creditors. A condition precedent that the provision shall not vest until his debts are paid and a condition

<sup>1</sup> Stat. 47 and 48 Vict., c. 71, § 4.

<sup>2</sup> See *Matthews v. Ward*, 10 Gill & J. 454.

<sup>3</sup> *Du Hourmelin v. Sheldon*, 1 Beav. 79; 4 M. & C. 525; *Atkins v. Kron*, 5 Ired. Eq. 207; *Hubbard v. Goodwin*, 3 Leigh, 492; 2 Kent's Com. \*62, note d; *Leggett v. Dubois*, 5 Paige, 114; *Taylor v. Benham*, 5 How. 270. See, also, *Sharp v. St. Sauveur*, L. R. 7 Ch. 352; overruling *Rittson v. Stordy*, 3 Sm. & Giff. 230; and approving *Barrow v. Wadkin*, 24 Beav. 1.

<sup>4</sup> See *Williams on Real Prop.* 87, and notes. And, of course, there may be a limitation so expressed that

no equitable or legal *estate* vests in the beneficiary, in which case he has nothing which he can alienate. See *Hanna's Extr. v. Reynolds*, 16 U. S. App. 679-701.

<sup>5</sup> *Dumpor's Case*, 1 Sm. Lead. Cas. 119, Judge Hare's note. See, also, *Horberry v. Harding*, 10 Lea (Tenn.), 392; *Warner v. Rice*, 66 Md. 436. *Ullman v. Cameron*, 186 N. Y. 339. A judgment creditor is entitled to the proportion of income from a trust estate beyond what is necessary for the suitable support and maintenance of the *cestui que trust*. *Magner v. Crooks*, 139 Cal. 640.



subsequent that it shall be divested and forfeited by his insolvency, with a limitation over to another person, are valid, and the law will give them full effect. Beyond this, protection from the claims of creditors is not allowed to go.<sup>1</sup> This is the general rule throughout the United States and in England. In some of the states of the Union, however, a different doctrine has been held. Thus, in Pennsylvania, it is now firmly established, by many authorities that when a gift in trust is made for life, coupled with a proviso exempting the estate of the *cestui que trust* from liability for his debts, and where he is excluded from the control of the property,<sup>2</sup> such proviso will be good without any limitation over upon insolvency.<sup>3</sup> And this end may be accom-

<sup>1</sup> *Nichols v. Levy*, 5 Wall. 441; *Hallett v. Thompson*, 5 Paige, 583; *Dick v. Pitchford*, 1 Dev. & Bat. (Eq.) 480; *Blackstone Bank v. Davis*, 21 Pick. 42; *Easterly v. Keney*, 36 Conn. 22; *Taylor v. Harwell*, 65 Ala. 1 (compare *Jones v. Reese*, Id. 134); *Brandon v. Robinson*, 18 Ves. 429. See *Hutchins v. Heywood*, 50 N. H. 491, where it was held that a resulting trust was executed by the statute of uses, and could be levied upon under ordinary process.

<sup>2</sup> See *Adams's Eq.* 43. There can be no valid spendthrift trust where the beneficiary is also the trustee and has full power to deal with the property at his pleasure. *Hahn v. Hutchinson*, 159 Pa. 133-141. Where a married woman by her will gives her estate, real and personal, to a trustee for the benefit of her husband with the usual provisions creating a spendthrift trust, and further directs that after the expiration of three years the trustee shall convey the real estate, or deliver the personal property to any person whom the husband may direct, and if the husband makes no direction to continue the trust until the death of the husband, to convey and deliver the estate to whom he may appoint by will, or in default of appointment

to his heirs at law, the husband takes an estate in fee, and if he continues the estate in the hands of the trustee until his death his creditors are entitled to payment out of the estate. *Morgan's Estate*, 223 Pa. 228.

<sup>3</sup> *Fisher v. Taylor*, 2 Rawle, 33; *Ashhurst v. Given*, 5 W. & S. 323; *Vaux v. Parke*, 7 Id. 19; *Brown v. Williamson's Ex'rs*, 36 Pa. 338; *Reese v. Livingstone*, 41 Id. 113; *Still v. Spear*, 45 Id. 168; *Rife v. Geyer*, 59 Id. 395; *Shankland's Appeal*, 47 Id. 113; *Girard Life Ins. Co. v. Chambers*, 46 Id. 485; *Overman's Appeal*, 88 Id. 276; *Stambaugh's Estate*, 135 Id. 585; *Mehaffey's Estate*, 139 Id. 276; *Baker's Estate*, 159 Id. 518; *Wanner v. Snyder*, 177 Id. 208; *Winthrop Co. v. Clinton*, 196 Id. 472. In Massachusetts, see *Huntress v. Allen*, 195 Mass. 226. But a person *sui juris* cannot settle the entire estate on himself, free from liability for debts. *Mackason's Appeal*, 42 Pa. 330; *Ghormley v. Smith*, 139 Id. 584-593; *Hahn v. Hutchinson*, 159 Id. 141; *Nolan v. Nolan*, 218 Pa. 135; *Menken v. Brinkley*, 94 Tenn. 721; *Sargent v. Burdett*, 96 Ga. 111; *Williams v. Kemper*, 99 Minn. 301. The rule in *Mackason's Appeal*, however, means only that such a trust would not be good as against creditors.

plished not only by a proviso which expressly exempts the trust property from the debts of the beneficiary, but also by a direction that the income shall be disbursed for the benefit of the *cestui que trust* only to the extent which the trustee may in his discretion deem advisable; for to subject the income so bequeathed to execution at the suit of a creditor would end the discretion of the trustee and defeat the intent of the testator.<sup>1</sup>

And this rule seems also to exist in Maine, Connecticut, Massachusetts, Virginia, Mississippi, Kentucky, Missouri, Alabama, and Maryland.<sup>2</sup> But where there is a limitation over upon insolvency, the mere fact that the trustees have a discretion to apply the income to the benefit of the insolvent will not affect the validity of the limitation over or subject the funds which the trustees, in exercising their discretion, may see fit to give to the beneficiary to the payment of his debts. This proposition was laid down in the Supreme Court of the United States in the case of *Nichols v. Eaton*,<sup>3</sup> where the facts were as follows: A testatrix devised her estate, real and personal, to trustees, upon a trust to pay the income to her children equally during their lives, subject to the conditions—1st, that in case of the alienation of such income by either of her sons, or in case of the bankruptcy or insolvency of either of them, or if from any other cause the income could no longer be personally enjoyed by either of them, the trust as to such son should instantly cease and determine, and the income to which he would be otherwise entitled should be paid to his wife and children, if any, and, if none, to go back to

*Patrick v. Bingham*, 2 Supr. Ct. Reps. (Pa.) 118. As against the settlor himself it would be good; *Merriman v. Munson*, 134 Pa. 114. *Ashhurst's App.*, 77 Pa. 464.

<sup>1</sup> *Keyser v. Mitchell*, 67 Pa. 473. It has recently been held in this state that under a trust for the sole and separate use of a married woman, where the instrument provides that the income is to be paid into the proper (own) hands of the *cestui que trust* upon her own sole receipt, the income accrued due, but still remaining unpaid, cannot be attached in the hands of the trustee. *Hays's Estate*, 201 Pa. 391.

<sup>2</sup> *Murphy v. Delano*, 95 Me. 229; *Mason v. Rhode Island Trust Co.*, 78 Conn. 81; *Nickerson v. Van Horn*, 181 Mass. 562; *Markham v. Guerrant*, 4 Leigh, 279; *Johnston v. Zane's Trustees*, 11 Grat. 570 (but see *Hutchinson v. Maxwell*, 100 Va. 169); *Leigh v. Harrison*, 69 Miss. 923; *Pope's Ex'rs v. Elliott*, 8 B. Mon. 56; *Hill v. McRae*, 27 Ala. 175; *McIlvaine v. Smith*, 42 Mo. 45; *Davidson v. Kemper*, 79 Ky. 5; *Jarboe v. Hey*, 122 Mo. 341; and see *Genet v. Beekman*, 45 Barb. 382; and *Campbell v. Foster*, 35 N. Y. 361; *Jackson Square Association v. Bartlett*, 95 Md. 661.

<sup>3</sup> 91 U. S. 716.

the corpus of his estate; 2d, that the trustees should have power in their discretion, but without its being in any way obligatory upon them, to transfer absolutely to either of said children one-half of the trust fund from whence his or her share of the income under the preceding trust should arise, the trusts as to such portion of the estate thereupon to cease and determine; 3d, that in case of the cessation of the income by any cause except death, as before provided (as by bankruptcy, insolvency, or other cause preventing either of them from personally enjoying his or her share of the income), the trustees might, in their discretion, pay to or apply for either of the sons, or for the use of either of the sons, or his wife and family, so much of the income as he would have been entitled to if the forfeiture had not happened. One of the sons who was unmarried and without children became a bankrupt, and on a bill filed by the assignee in bankruptcy to subject his portion of the income to the claims of his creditors, it was held that the devise was not void, as in fraud of creditors, and that the relief prayed for would not be granted—and this, although a large sum of money (\$25,000), had been paid by the trustee to the bankrupt since the bankruptcy. In this case the English authorities were reviewed and the conclusion reached that there was nothing in them to forbid such a trust, and that there was nothing upon principle or in the general policy of the law to prevent it from being carried out.<sup>1</sup>

## 62. Exceptions to the General Rules of Devolution of Equitable Estates.

Certain exceptions to the rules above stated, in regard to the devolution of trust estates, and the powers of the *cestui que trust*, exist in the case of trusts for married women, and will be noticed when that particular class of trusts comes under consideration.

Another exception formerly existed in England in relation to attendant terms, trusts of which, though of chattel interests, followed the descent of the inheritance which they were designed to protect. But the doctrine of attendant terms is now obsolete in England, and was never of any practical importance in this country.

Trust estates also follow the law of legal estates as to the injuries which may affect them and the consequences of these in-

<sup>1</sup> See, also, *Keyser v. Mitchell*, 67 Pa. 473.

juries. Thus, although the terms "seisin" and "disseisin" are not strictly applicable to equitable estates, a court of equity regards the actual receipt of rents and profits under the equitable title as equivalent to seisin at law, and an adverse taking of the rents and profits as amounting to an ouster.<sup>1</sup> Moreover, if such adverse enjoyment of the equitable estate continues for twenty years, it would, by analogy to the statutes of limitations applicable to legal titles, bar any assertion by the *cestui que trust* of his right in equity.<sup>2</sup>

<sup>1</sup> Lewin on Trusts (10th Eng. ed.), 885.

<sup>2</sup> Merriam v. Hassam, 14 Allen, 516; Watkins v. Specht, 7 Coldw. 585; Perry on Trusts, §§ 855, 860, 864; Story's Eq. Jurisp. § 975. The statute will run from the time the trustee assumes a hostile attitude, but not if

the *cestui que trust* were in ignorance. Lindsley v. Dodd, 53 N. J. Eq. 86; Drake v. Wild, 65 Vt. 611; Rochefoucauld v. Boustead [1897], 1 Ch. 196-208; Soar v. Ashwell [1893], 2 Q. B. 391; Lamberton v. Youmans, 84 Minn. 109; Curtis v. Lakin, 36 C. C. A. 226.

## CHAPTER II.

## EXPRESS TRUSTS ; AND HEREIN OF VOLUNTARY DECLARATIONS IN TRUST, OF PRECATORY TRUSTS, AND OF POWERS IN TRUST.

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| 63. Trusts created by direct fiduciary expressions; Trusts averable at Common Law.<br>64. Statute of Frauds.<br>65. Language by which a Trust may be created.<br>66. Voluntary dispositions in Trust; <i>Milroy v. Lord; Ex parte Pye.</i><br>67. General result of the authorities; <i>Donaldson v. Donaldson; Richards v. Delbridge.</i><br>68. Voluntary Assignments for the benefit of Creditors.<br>69. Meritorious Consideration; <i>Ellis v. Nimmo.</i> | 70. <i>Donatio mortis causa.</i><br>71. Trusts created by Precatory Words; English doctrine.<br>72. Doctrine on this subject in the United States generally; in Pennsylvania and Connecticut.<br>73. What precatory words will create a Trust.<br>74. Are such words <i>prima facie</i> imperative?<br>75. Certainty of the object is an element for consideration.<br>76. Certainty of the subject.<br>77. Powers in Trust; <i>Salisbury v. Denton.</i> |
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**63. Trusts created by direct fiduciary expressions ; Trusts averable at Common Law.**

EXPRESS trusts,<sup>1</sup> being those which are created by the language of the parties, may, it is obvious, arise either by direct fiduciary expressions whereby the relationship of trustee and *cestui que trust* is distinctly established, or by expressions of a more uncertain and equivocal character which might not in the opinion of a layman be considered as indicating an intention to create a trust, but which have been construed by a series of judicial decisions to be effective in so doing.

Before, however, considering the question as to what language

<sup>1</sup> "If there is created in expressed terms, whether written or verbal, a trust, and a person is in terms nominated to be the trustee of that trust, a court of equity, upon proof of such facts, will not allow him to vouch a

statute of limitations against a breach of that trust. Such a trust is in equity called an express trust." Per Lord Esher, M. R., in *Soar v Ashwell* [1893], 2 Q. B. 390-393.

is necessary to create a trust, it will be proper to premise that at common law trusts, both of real and personal property, could be created by parol.<sup>1</sup> A trust of realty, like a use, was in technical language "averable;" that is, it could be created by word of mouth.<sup>2</sup> The better opinion is, however, that this is only true of those cases in which the legal estate could be created by feoffment, where (of course) no writing was necessary. But when a deed was requisite for the conveyance of the legal estate (as in a covenant to stand seised to uses), there uses and trusts were not averable, but could be created only in the same manner as legal estates.<sup>3</sup> In Connecticut it has been held that trusts were not averable at common law;<sup>4</sup> but the weight of American authority is decidedly the other way.<sup>5</sup>

#### 64. The Statute of Frauds.

The Statute of Frauds (29 Car. II., c. 3) changed the rule in regard to real estate, and enacted (in the 7th section) that "all declarations or creations of trusts, or confidences of any lands, tenements, or hereditaments, shall be manifested and proved by some writing signed by the party who is by law enabled to declare such trusts, or by his last will in writing; or else they shall be utterly void and of none effect."<sup>6</sup> An assignment of a trust of realty must also be in writing.<sup>7</sup>

This statute applies to chattels real as well as to freehold estates;<sup>8</sup> though not to mere personal rights concerning land, such as mortgages and charges.<sup>9</sup> And where land has been

<sup>1</sup> See *Tritt v. Crotzer*, 13 Pa. 451; *Owens v. Williams*, 130 N. C. 165.

<sup>2</sup> *Lewin on Trusts* (10th Eng. ed.), 56; *Perry on Trusts*, § 75; *Fordyce v. Willis*, 3 Bro. C. C. 587.

<sup>3</sup> *Gilbert on Uses*, 270. A parol agreement made at the time of executing a conveyance of real estate that the grantee shall hold the property in trust for the grantor, and, when sold, pay the proceeds to him, the conveyance not being obtained by fraud or undue influence, is void as an attempt to create an express trust in real estate by parol, and the land and the money for which it is sold belong to the grantee. *Marvel v. Marvel*, 70 Neb. 498.

<sup>4</sup> *Dean v. Dean*, 6 Conn. 285.

<sup>5</sup> *Fleming v. Donahoe*, 5 Ohio, 257; *Miller v. Thatcher*, 9 Tex. 485; *Osterman v. Baldwin*, 6 Wall. 116; *Shelton v. Shelton*, 6 Jones (Eq.), 292; *Murphy v. Hubert*, 7 Pa. 420; *Anding v. Davis*, 38 Miss. 574.

<sup>6</sup> The "party who by law is entitled to declare such trust" is the beneficial owner only. *Kronheim v. Johnson*, 7 Ch. D. 60; *Tierney v. Wood*, 19 Beav. 330.

<sup>7</sup> See 29 Car. II., §§ 7, 8, 9.

<sup>8</sup> *Skett v. Whitmore*, Freem. 280; *Riddle v. Emerson*, 1 Vern. 108; and see *Hutchins v. Lee*, 1 Atk. 447; *Bel-lasis v. Compton*, 2 Vern. 294.

<sup>9</sup> *Benbow v. Townsend*, 1 M. & K.

conveyed on a parol trust, and is afterwards converted into money, a subsequent parol declaration of trust will be sufficient.<sup>1</sup>

It is to be observed that the statute does not require trusts of realty to be *created*, but only to be manifested and proved by writing.<sup>2</sup> The distinction is of practical importance, because a subsequent written acknowledgment of a trust will cause the interest to relate back to the date of its original creation, so as to bring it (for example) within the operation of a will of the *cestui que trust* executed *before* the written acknowledgment, but *after* the verbal creation.<sup>3</sup>

This statute has been re-enacted in most of the United States; in some of which, however, the language of the statute has been somewhat varied. Thus in Maine trusts must be "created and declared in writing," and in Indiana.<sup>4</sup> In Illinois "declarations or creations of trusts must be manifested and proved" in writing.<sup>5</sup> The statutes of Vermont, and Massachusetts, and Wisconsin,<sup>6</sup> are similar.<sup>7</sup>

506; *Bellasis v. Compton*, 2 Vern. 294. See *Perry on Trusts*, § 86.

<sup>1</sup> *Maffitt's Adm'r v. Rynd*, 69 Pa. 386; *Thomas v. Merry*, 113 Ind. 83; *State v. Roudebush*, 114 Id. 347.

<sup>2</sup> See language of Chancellor Kent in *Movan v. Hays*, 1 Johns. Ch. 342.

"A valid express trust, involving real estate, enforceable in equity, can be created by parol, and such a trust is created by a parol agreement made by a conveyee at the time of the conveyance of the land, to hold the land in trust for the conveyor, to be conveyed as he may direct, for a contemporaneous parol agreement, made at the time of the execution and delivery of a conveyance of land, absolute upon its face, that the conveyee will hold the said land in trust for a certain person is not within the statute of frauds, and aside from the rights of creditors of the original conveyor and innocent purchasers from the conveyee vests in the beneficiary of the trust a valid equitable title to the land which a court

of equity will enforce." *Insurance Company v. Waller*, 116 Tenn. 1.

<sup>3</sup> *Ambrose v. Ambrose*, 1 P. Wms. 322. See, also, *Forster v. Hale*, 3 Ves. Jr. 696; 5 Id. 315; *Barrell v. Joy*, 16 Mass. 223; *Safford v. Rantoul*, 12 Pick. 233, and *Sime v. Howard*, 4 Nev. 483.

<sup>4</sup> Rev. Stats. (1857) ch. 73, § 11, p. 450; see *Gerry v. Stimson*, 60 Me. 188; § 3391, Burns, 1901; *Nesbitt v. Stevens*, 161 Ind. 519.

<sup>5</sup> Rev. Stats. of 1877, § 9, p. 522; *Horne v. Ingraham*, 125 Ill. 193.

<sup>6</sup> But parol trusts are only voidable. *Begole v. Hazzard*, 81 Wis. 274; also *Missouri*, see § 3416, R. S., 1899; *Hall v. Small*, 178 Mo. 629.

<sup>7</sup> Ga. Civil Code, § 3153. "All express trusts must be created or declared in writing." *Eaton v. Barnes*, 121 Ga. 548.

Virginia: "If an express trust affecting real estate can be established by parol evidence (which is an open question in this State) the declaration must be unequivocal and ex-

It is considered, however, by a learned writer, that this variation of language does not produce any substantial difference in the effect of the statutes, but that under all of them it will be sufficient if the trust is proved by some writing, although executed after its creation.<sup>1</sup>

Personal chattels are not within the Statute of Frauds; and trusts of them may be proved by parol.<sup>2</sup> Implied trusts are expressly excepted from the operation of the statutes in most of the states.

It is not essential that the writing by which the trust is "manifested and proved" should be in any particular form. It may be couched in any language which is sufficiently expressive of an intention to create a trust. Thus, a *notâ bene* at the foot of a deed,<sup>3</sup> or a mere letter or memorandum will be enough.<sup>4</sup> The

explicit, and established by clear and convincing testimony. Testimony of witnesses as to verbal admissions made by a husband more than thirty years previous to the time of their testifying, and as to casual conversations between husband and wife had many years ago, is not sufficient to establish a trust in favor of the wife. The danger of relying upon such evidence is enhanced where, as in this case, the testimony of both husband and wife, the principal actors in the occurrence, is lost." *Garrett v. Rutherford*, 108 Va. 478.

<sup>1</sup> *Perry on Trusts*, § 81; and see *Bragg v. Paulk*, 42 Me. 502; *Sime v. Howard*, 4 Nev. 482; *Kingsbury v. Burnside*, 58 Ill. 310; *Faxon v. Folvey*, 110 Mass. 392; *Salisbury v. Clarke*, 61 Vt. 453; *Wolford v. Farnham*, 44 Minn. 161; *Houston v. Farris*, 93 Ala. 587; *Silvers v. Potter*, 48 N. J. Eq. 539; *Templeton v. Brown*, 86 Tenn. 50.

<sup>2</sup> *M'Fadden v. Jenkyns*, 1 Hare, 451; 1 Ph. Ch. 157; *Benbow v. Townsend*, 1 M. & K. 506; *Hawkins v. Gardiner*, 2 Sm. & Giff. 451; *Kimball v. Morton*, 1 Halst. Ch. 31; *Higgenbottom v. Peyton*, 3 Rieh. Eq. 398;

*Kirkpatrick v. Davidson*, 2 Kelly, 297; *Day v. Roth*, 18 N. Y. 447; *Hooper v. Holmes*, 11 N. J. Eq. 122; *Maffitt v. Rynd*, 69 Pa. 380; *Moore v. Williams*, 62 Hun, 55; *In re Carpenter*, 131 N. Y. 86; *Skeen v. Marriott*, 22 Utah, 73. See *Perry on Trusts*, § 86; *Crews v. Crews' Admr.*, 113 Ky. 152; *Washington's Est.*, 220 Pa. 204.

"There are four essential elements of a valid trust of personal property: (1) a designated beneficiary; (2) a designated trustee, who must not be the beneficiary; (3) a fund or other property sufficiently designated or identified to enable title thereto to pass to the trustee; (4) the actual delivery of the fund or other property or of a legal assignment thereof to the trustee with the intention of passing legal title thereto to him as trustee." *Brown v. Spohr*, 180 N. Y. 201.

<sup>3</sup> *Ivory v. Burns*, 56 Pa. 300.

<sup>4</sup> *Dale v. Hamilton*, 2 Phillips, 266; *Forster v. Hale*, 3 Ves. Jr. 696; 5 Id. 308; *Raybold v. Raybold*, 20 Pa. 308; *Maccubbin v. Cromwell*, 7 Gill & J. 164; *Barrell v. Joy*, 16 Mass. 221; *Packard v. Putnam*, 57 N. H. 31; *De Laurencel v. De Boom*, 48 Cal. 581; *Throop v. Hatch*, 3 Abb. Pr. R. 29;



writing, however, must declare with sufficient *certainly what the trust is*.<sup>1</sup>

An answer in chancery admitting the trust will be sufficient to take it out of the statute;<sup>2</sup> but the better opinion seems to be that this will not be the rule if the defendant chooses to insist upon the benefit of the statute.<sup>3</sup> If the answer denies the agreement upon which the trust is based, it need not expressly set up the statute, or (in other words) take the defence that the agreement was in parol.<sup>4</sup>

A trust may be created by will; but, to be valid, the will must be duly executed. A writing which purports to be a testamentary paper, if not properly executed to take effect as a will, cannot be relied upon as a memorandum to satisfy the statute.<sup>5</sup>

And so, where the creator of a trust can only act under certain formalities, those formalities must be observed. Thus, the declaration of a trust respecting realty by a married woman, must, when the statute requires that her conveyances shall be separately acknowledged, be made out in some other mode than

*Hutchins v. Van Vechten*, 140 N. Y. 115; *Pratt v. Ayre*, 3 Chand. 265; *Whetsler v. Sprague*, 224 Ill. 461; *Starr v. Starr*, 1 Ohio, 321; *Reid v. Reid*, 12 Rich. Eq. 213; *Snader v. Shingluff*, 95 Md. 356. Though see *Homer v. Homer*, 107 Mass. 82.

<sup>1</sup> *Steere v. Steere*, 5 Johns. Ch. 1; *Smith v. Matthews*, 3 D. F. & J. 139; *Cook v. Barr*, 44 N. Y. 161; *Taft v. Dimond*, 16 R. I. 584; *Yerkes v. Perrin's Est.*, 71 Mich. 567; *Renz v. Stoll*, 94 Id. 377; *Salisbury v. Clarke*, 61 Vt. 459; *Martin v. Baird*, 175 Pa. 540.

A writing headed "The Byers Place—J. P. Byers," and designated as "Memoranda and agreement," was as follows: "The arrangement with Mr. Byers is this: All money invested by him in the Byers Place to be placed to his credit and to bear interest from the date credit is given until paid. When the total principal and interest is paid in full then the residue or remaining property to belong to C. W. and R. B.

*Ranney* (Signed) J. P. Byers." *Held*, (1) that the writing was a declaration of trust sufficient to meet the requirements of the act of 1856; (2) that the designation of the subject of the trust as "Byers Place" was a sufficient description; and (3) that as the subject-matter was designated, parol evidence was admissible to apply the description to the land. *Ranney v. Byers*, 219 Pa. 332.

<sup>2</sup> *Maccubbin v. Cromwell*, 7 Gill & J. 164; *Cosine v. Graham*, 2 Paige (Ch.), 177; *Nab v. Nab*, 10 Mod. 404; *Patton v. Chamberlain*, 44 Mich. 5; *McVay v. McVay*, 43 N. J. Eq. 47.

<sup>3</sup> *Dean v. Dean*, 9 N. J. Eq. 425; *Whiting v. Gould*, 2 Wis. 552; *Perry on Trusts*, § 85.

<sup>4</sup> *Wolf v. Corby*, 30 Md. 360; *Ontario Bank v. Root*, 3 Paige (Ch.), 478; *Billingslea v. Ward*, 33 Md. 51; *Allen v. Chambers*, 4 Ired. Eq. 125.

<sup>5</sup> *Perry on Trusts*, § 89 to § 94; *Lewin on Trusts*, chap. V., sec. 3; *Bryan v. Bigelow*, 77 Conn. 604.

by her admission or acknowledgment, orally or in writing. It must be accompanied with such a certificate of separate examination and voluntary acknowledgment as is required by the statute in case of her deed.<sup>1</sup>

### 65. Language by which a trust may be created.

Having premised thus much concerning the *instrument* which is needed for a valid trust, we must now consider what *language* should be used in order that a trust may be created.

"Three things," it has been said,<sup>2</sup> "must concur to raise a trust, sufficient words to create it, a definite subject, and a certain or ascertained object;" and to these requisites may be added another, viz., that the terms of the trust should be sufficiently declared.<sup>3</sup>

The precision with which it is necessary to define the subject-matter, and the object of the trust, will be noticed when we come to consider powers in trust, and that class of expressions which are known as precatory words. Putting these aside for the present, it may be said that there must, in general, be sufficient words to create a trust; but that no particular form of expression is necessary.<sup>4</sup> It will be enough if there be a complete intention, expressed with sufficient clearness.

The intention must be a complete one. Thus, where a party at the time he purchased a certain tract of land executed an instrument by which it was set forth that the purchase was "intended" for another, it was held that the mere fact that the purchaser "intended" to give the property to the alleged beneficiary could not have the effect of raising a trust.<sup>5</sup> A mere in-

<sup>1</sup> *Graham v. Long*, 65 Pa. 387, *per* Sharswood, J.; *Tatge v. Tatge*, 34 Minn. 272.

<sup>2</sup> By Sir Wm. Grant, in *Cruwys v. Colman*, 9 Ves. 323. See, also, *Knight v. Boughton*, 11 Cl. & Fin. 513, and *Malim v. Keighley*, 2 Ves. Jr. 335. A devise in trust which neither designates nor provides for the selection of a beneficiary is void and upon the death of the testator the heirs are entitled to an immediate distribution of the trust property. *Filkins v. Severn*, 127 Ia. 738.

<sup>3</sup> *Knight v. Boughton*, 11 Clark & Fin. 513; *Pitts v. Weakley*, 155 Mo.

109; *Campbell v. Brown*, 129 Mass. 23; and *Hellman v. McWilliams*, 70 Cal. 449; *Harris Banking Co. v. Miller*, 190 Mo. 640.

<sup>4</sup> *Krebs's Estate*, 184 Pa. 222.

<sup>5</sup> *Hays v. Quay*, 68 Pa. 263. "Conceding the existence of a *bona fide* intention to create the alleged trust, that intention was never in fact executed, either by signing the declaration above quoted, by change of possession, or in any other manner." *Girard Trust v. Mellor*, Appellant, 156 Pa. 589-590. See, also, *Sheffield v. Parker*, 158 Mass. 330; *Cunningham v. Davenport*, 147 N. Y. 43;

choate and executory design is not enough,<sup>1</sup> and unless there is some distinct equity (as fraud, for example), it cannot be enforced.<sup>2</sup> The intention must be plainly manifested, and not derived from loose and equivocal expressions of parties made at different times and upon different occasions.<sup>3</sup> But any words which indicate with sufficient certainty a purpose to create a trust will be effective in so doing.<sup>4</sup>

It is not necessary that the terms "trust" and "trustee" should be used.<sup>5</sup> There is no magic in these words,<sup>6</sup> and any others which show that the donee was not intended to take beneficially will affect his conscience with a trust.<sup>7</sup>

*Sullivan v. Sullivan*, 161 Id. 554; *Providence Inst. for Savings v. Carpenter*, 18 R. I. 287.

<sup>1</sup> *Bayley v. Boulcott*, 4 Russ. 345; *Harrison v. McMennomy*, 2 Edw. Ch. 251. See, also, *Kilpin v. Kilpin*, 1 M. & K. 520; *Willard v. Willard*, 56 Pa. 119; *Dellinger's Appeal*, 71 Id. 425; *Perry on Trusts*, § 77; *Spivey v. Harrell*, 101 N. C. 48; *Hamer v. Sidway*, 57 Hun, 229; *Skeen v. Marriott*, 22 Utah, 73.

<sup>2</sup> *Donahoe v. Conrahy*, 2 Jon. & Lat. 694; *Wolff's Appeal*, 123 Pa. 451.

<sup>3</sup> *Slocum v. Marshall*, 2 Wash. C. C. 398; *Steere v. Steere*, 5 Johns. Ch. 1; *Mercer v. Stark*, 1 Sm. & Marsh. (Ch.) 479; *Harris v. Barnett*, 3 Grat. 339; *Berkley v. Lane*, 6 Bush (Ky.), 587; *Levi v. Evans*, 18 U. S. App. 293-303; *Pitts v. Weakley*, 155 Mo. 109; *Skeen v. Marriott*, 22 Utah, 73.

<sup>4</sup> *Fisher v. Fields*, 10 Johns. 495; *Carpenter v. Cushman*, 105 Mass. 419; *Norman v. Burnett*, 25 Miss. 183; *Porter v. The Bank of Rutland*, 19 Vt. 410; *Brown v. Combs*, 5 Dutch. 36; *Luceo v. De Toro*, 91 Cal. 405; *Maxwell v. Barringer*, 110 N. C. 76; *Mo-Auley's Estate*, 184 Pa. 124; *Moody v. Keller*, 127 Ala. 630; *Krankel's Ex'x v. Krankel*, 104 Ky. 745.

<sup>5</sup> *Sharpless v. Welsh*, 4 Dall. 261; *Sheets's Estate*, 52 Pa. 266; *Packard v. Old Col. R. R.*, 168 Mass. 96; *Collins v. Lewis*, 60 N. J. Eq. 488; *Matter*

*of Griffin*, 167 N. Y. 71; *Estate of Reith*, 144 Cal. 314; see *Lewin* (10th Eng. ed.), 161. Though their absence is a circumstance to be attended to, *King v. Denison*, 1 V. & B. 273. See, also, *Porter v. Bank of Rutland*, 19 Vt. 410; *Fisher v. Fields*, 10 Johns. 495; *Gordon v. Green*, 10 Ga. 534; *Norman v. Burnett*, 25 Miss. 183. On the other hand, the words "trust" and "trustee" will not necessarily create a trust. *Freedley's Appeal*, 60 Pa. 344; *Brown v. Combs*, 2 Dutch. 36. See, also, *Seldon's Appeal*, 31 Conn. 548; *Eldridge v. The See Yup Co.*, 17 Cal. 44; *Att. Gen. v. Marmmack Manuf. Co.*, 14 Gray, 612; *Richardson v. Inglesby*, 13 Rich. Eq. 59.

<sup>6</sup> *Sheets's Estate*, 52 Pa. 266. Their use does not necessarily create a trust; *Hart v. Seymour*, 147 Ill. 609; *Towar v. Hale*, 46 Barb. 361; *Den v. Hay*, 21 N. J. Law, 174; *Austin v. Shaw*, 10 Allen, 552.

<sup>7</sup> *Crockett v. Crockett*, 1 Hare, 451; *Bibby v. Thompson*, 23 Beav. 646; *Jubber v. Jubber*, 9 Sim. 503; *Pierce v. McKeehan*, 3 W. & S. 283; *Raikes v. Ward*, 1 Hare, 445; *Inderwick v. Inderwick*, 13 Sim. 652; *Aynsworth v. Haldeman*, 2 Duvall, 571; *Day v. Roth*, 18 N. Y. 453; *Hirsh v. Auer*, 146 Id. 19; *Blackburn v. Blackburn*, 109 N. C. 488; *Roche v. George's Extr.*, 93 Ky. 609; *Cathcart v. Nelson's Admr.*, 70 Vt. 317.

The declaration of trust may be contained in a different instrument from that by which the estate is vested in the trustee;<sup>1</sup> but the instruments must be contemporaneous, or, at all events, in contemplation at the same time; and if an absolute conveyance is made, no *subsequent* declaration can deprive the grantee of his beneficial interest.<sup>2</sup>

As to the *quantity* of the estate which the *cestui que trust* is to take, it is only necessary that the intention upon the subject should be clearly expressed; and it is not necessary that the technical words required in the limitation of legal estates should be used. Thus, an equitable fee may be created without the use of the word "heirs," and a fee tail without the use of "heirs of the body,"<sup>3</sup> provided always that the intention to give a fee sufficiently appears. Where a trust is created by a *devise* by which the fee is given to the trustee, the *cestui que trust* will be entitled to the beneficial ownership in fee, without an express limitation to his heirs, because it is supposed that the testator intended that the beneficial interest should exhaust the entire legal estate.<sup>4</sup> But in a deed the rule is otherwise.<sup>5</sup>

Where technical words are used, however, they must be taken in their legal and technical sense,<sup>6</sup> except in certain cases of executory trusts, which have been already noticed.

## 66. Voluntary dispositions in trust; *Milroy v. Lord*; *Ex parte Pye*.

It has been said that in order to create a valid trust there

<sup>1</sup> *Inchiquin v. French*, 1 Cox, 1; *Wood v. Cox*, 2 M. & Cr. 684; *Stubbs v. Sargon*, 2 Keen, 255; *Smith v. Attersoll*, 1 Russ. 266; or in a *nota bene* at the foot of a deed; *Ivory v. Burns*, 56 Pa. 300.

<sup>2</sup> *Adlington v. Cann*, 3 Atk. 145; *Crabb v. Crabb*, 1 M. & K. 511; *Kilpin v. Kilpin*, Id. 520, 532. See, also, *Briggs v. Penny*, 3 McN. & G. 546; *Johnson v. Ball*, 5 De G. & Sm. 85; *Dawson v. Dawson*, Cheves Eq. (S. C.) 148; *Johnson v. Clarkson*, 3 Rich. Eq. 305; *Wallgrave v. Tebbs*, 2 K. & J. 313; *Tee v. Ferris*, Id. 357; *Russell v. Jackson*, 10 Hare, 204; *Lomax v. Ripley*, 3 Sm. & Giff. 48; *Brown v. Brown*, 12 Md. 87; *Tritt v. Crotser*,

13 Pa. 451; *Ivory v. Burns*, 56 Pa. 303; *Bennett v. Fulmer*, 49 Id. 155; *Chapman v. Wilbur*, 3 Or. 326; *Perry on Trusts*, § 77.

<sup>3</sup> *Shep. Touch.*, by Preston, 106; *Lewin on Trusts* (10th Eng. ed.), 117; *Fisher v. Fields*, 10 Johns. 505; *Packard v. Old Colony R. R.*, 168 Mass. 96.

<sup>4</sup> *Moore v. Cleghorn*, 10 Beav. 423; on appeal, 12 Jurist, 591; *Knight v. Selby*, 3 Man. & Gran. 92; *Doe v. Cafe*, 7 Exch. 675; *Watkins v. Weston*, 32 Beav. 238; *Perry on Trusts*, § 337.

<sup>5</sup> *Holliday v. Overton*, 14 Beav. 467; 15 Beav. 480; *Whiston's Settlement* [1894], 1 Ch. 661.

<sup>6</sup> *Wright v. Pearson*, 1 Eden, 125;

must not be merely an inchoate intention, but that the transaction must be complete. This rule, it must be remembered, applies more particularly to trusts which are created by voluntary dispositions, and which may be conveniently considered in this place.

For a trust may arise either out of a contract or out of a gift, and the distinction which it is desirable to remember is this; viz., that in trusts which grow out of contracts, and which are therefore based upon a consideration, it is not necessary that the intention should have proceeded to the same extent as is required in trusts which are purely voluntary.<sup>1</sup> And this is only an application of the rule which exists at common law in reference to the distinction between contracts and gifts, as the former rests *in fieri*, whereas a gift can only be effectual after the intention to make it has been followed by actual delivery of possession or some equivalent act. "A true and proper gift or grant is always accompanied with delivery of possession, and takes effect immediately. . . . But if a gift does not take effect by delivery of immediate possession, it is not then properly a gift, but a contract."<sup>2</sup> The common-law rule, therefore, in reference to the transfer of legal titles, has been followed in equity as to the creation of equitable estates; and trusts which are purely voluntary—that is, those which do not depend upon or grow out of a consideration—must, to be effectually created, be accompanied by the delivery of the subject of the trust, or by some act so strongly indicative of the donor's intention as to be tantamount to such delivery.<sup>3</sup> An imperfect conveyance, which is also merely voluntary, will not be aided or enforced in equity.<sup>4</sup>

*Glenorchy v. Bosville*, Cas. t. Talb. 19.

<sup>1</sup> See *Owens v. Owens*, 23 N. J. Eq. 62; *Perry on Trusts*, § 95.

<sup>2</sup> 2 Black. Com. 441. See 2 Kent's Com. 438. It will be remembered that even at law a voluntary instrument, although executory in its character, will be supported as a gift of the money, *if it be under seal*, for the seal will import a consideration; *Sherk v. Endress*, 3 W. & S. 256; *Yard v. Patton*, 13 Pa. 285; *Mack's Appeal*, 68 Id. 233.

<sup>3</sup> See *Cox v. Sprigg*, 6 Md. 274; *Tay-*

*lor v. Staples*, 8 R. I. 170, 176; *Otis v. Beckwith*, 49 Ill. 121, 128; *Wadhams v. Gay*, 73 Id. 415; *Trough's Estate*, 75 Pa. 115; *Zimmerman v. Streeper*, Id. 147; *Kulp v. March*, 181 Id. 627.

<sup>4</sup> *Minturn v. Seymour*, 4 Johns. Ch. 498; *Acker v. Phoenix*, 4 Paige, 305; *Dawson v. Dawson*, 1 Dev. Eq. 93; *Caldwell v. Williams*, 1 Bailey Eq. 175; *Crompton v. Vasser*, 19 Ala. 259; *Hayes v. Kershow*, 1 Sand. Ch. 258; *Reed v. Vannorsdale*, 2 Leigh, 569; *Holland v. Hensley*, 4 Clark, 222; *Pringle v. Pringle*, 59 Pa. 281; *Mat-*

The settlor must do all in his power, that the nature of the property will admit of, to carry out his intention.<sup>1</sup> Lord Justice Turner, in *Milroy v. Lord*,<sup>2</sup> said that a voluntary settlement could be made in one of three ways: first, by direct transfer or assignment to the donee; second, by assignment to a trustee accompanied by an actual transfer of the legal estate, if that is in the settlor; and third, by a declaration that the settlor holds in trust for the donee.<sup>3</sup> *Ex parte Pye*<sup>4</sup> is an old and leading authority upon this branch of the law, and is an illustration of the last of the three classes of cases mentioned in *Milroy v. Lord*. In that case M. wrote a letter in which he requested his attorney in France to purchase an annuity for the benefit of a certain lady. The purchase was made, but the annuity was taken in the name of the writer of the letter, who afterwards sent a letter of attorney to transfer the same to the name of the intended donee. The donor died before the transfer was made, but the news of his death did not reach the attorney until after the transfer. Whether the transfer was good according to the law of France was doubtful; but it was held that, without determining that question, there had been a complete declaration of trust by the donor.

So in *Crawford's Appeal*,<sup>5</sup> where a husband credited his wife with a sum of money on his books, it was held that this was an effective declaration of trust in the wife's favor. And a deposit of money in bank to the credit of another will have the same effect.<sup>6</sup>

*thews v. Hoagland*, 48 N. J. Eq. 455.

<sup>1</sup> See *Girard Trust Co. v. Mellor*, 156 Pa. 579. An intended but imperfect gift cannot be enforced as a trust. *Brown v. Crafts*, 98 Me. 40.

<sup>2</sup> 4 De G., F. & J. 263.

<sup>3</sup> See the opinion of Vice-Chancellor Wood in *Donaldson v. Donaldson*, Kay, 711.

<sup>4</sup> 18 Vesey, 140.

<sup>5</sup> 61 Pa. 52.

<sup>6</sup> *Conn. River Saving Bk. v. Albee*, 84 Vt. 571; *Milholland v. Whalen*, 89 Md. 212; *Savings Institution v. Titcomb*, 96 Me. 62; *Matter of Totten*,

179 N. Y. 112. But see *Savings Bank v. Merriam*, 88 Me. 146, and *Getchell v. Bank*, 94 Id. 452; *Bath Savings Institution v. Fogg*, 101 Me. 188; *Coolidge v. Knight*, 194 Mass. 546, where it was held that no trust had been created; *Matter of George*, 23 Abb. N. C. 43. See, also, *Parkman v. Savings Bank*, 151 Mass. 218, and *Casteel v. Flint*, 112 Ia. 92 (where the trust was rebutted by parol evidence); *Beaver v. Beaver*, 117 N. Y. 421; *Scott v. Harbeck*, 49 Hun, 292; *Sayre v. Weil*, 94 Ala. 466; *Hoboken Bank v. Schwoon*, 62 N. J. Eq. 503; *Peck v. Scofield*, 186 Mass. 108.

*Ellison v. Ellison*<sup>1</sup> may, also, be referred to as a leading authority upon this subject. "I take the distinction to be," said Lord Eldon in that case, "that if you want the assistance of the court to constitute you *cestui que trust*, and the instrument is voluntary, you shall not have that assistance for the purpose of constituting you *cestui que trust*; as upon a covenant to transfer stock, etc., if it rests in covenant, and is purely voluntary, this court will not execute the voluntary covenant; but if the party has completely transferred stock, etc., though it is voluntary, yet, the legal conveyance being effectually made, the equitable interest will be enforced by this court."<sup>2</sup> The doctrine is the same as that which has been laid down by Lord Thurlow in *Colman v. Sarrel*,<sup>3</sup> where it was held that when a party comes into equity to raise an interest by way of trust, there must be a valuable or, at least, a meritorious consideration; and that a mere voluntary covenant to convey would not be enforced.

Where, however, a consideration exists, the case is different.<sup>4</sup> A contract then arises which will be enforced by the courts, and equitable interests flowing therefrom will, as between the immediate parties, be as much protected as legal rights. Where the legal or equitable rights of third parties intervene, the rule may be varied.<sup>5</sup>

### 67. General Result of the Authorities; *Donaldson v. Donaldson*; *Richards v. Delbridge*.

The cases upon the subject of voluntary declarations of trusts have been quite numerous, and it is impossible, in a treatise

<sup>1</sup> 6 Vesey, 656.

<sup>2</sup> 6 Vesey, 662. See, also, *Stone v. Hackett*, 12 Gray, 227; *Wright v. Miller*, 4 Seld. 9; *Crompton v. Vasser*, 19 Ala. 266; *Andrews v. Hobson*, 23 Id. 219; *Greenfield's Estate*, 14 Pa. 489; *Reese v. Ruth*, 13 S. & R. 434; *Delamater's Estate*, 1 Whart. 362; *Souverybye v. Arden*, 1 Johns. Ch. 240; *Bunn v. Winthrop*, Id. 337; *Phipard v. Phipard*, 55 Hun, 433; *Clarke v. Lott*, 11 Ill. 105; *Vreeland v. Van Horn*, 17 N. J. Eq. 139; *Stone v. King*, 7 R. I. 358; *Ray v. Simmons*, 11 Id. 268; *Adams v. Adams*, 21 Wall. 185; *Ritter's Ap-*

*peal*, 59 Pa. 9; *Carhart's Appeal*, 78 Id. 119; *Paul v. Paul*, 20 Ch. D. 742; *Lynn v. Lynn*, 135 Ill. 18; *Lewis v. Curnutt*, 130 Ia. 423; *Paine v. Paine*, 28 R. I. 307.

<sup>3</sup> 1 Ves. Jr. 50. See, also, *Trough's Estate*, 75 Pa. 115; *Appeal of Waynesburg College*, 111 Id. 130.

<sup>4</sup> See *Lightner's Appeal*, 82 Pa. 301. See, also, the language of C. J. Gibson in *Kisler v. Kisler*, 2 Watts, 325, as to the distinction between a parol declaration of trust, and a parol declaration which is not a trust, but a contract.

See *post*, Part II., chap. on Notice.

like the present, to do more than indicate their general results, without discussing the distinctions established by particular authorities.

When a settlor is possessed of the legal title to the subject-matter of the settlement, he may create a valid trust thereof, either by a declaration that he holds the property in trust, or by a transfer of the legal title to the property to a third party upon certain trusts. In other words, he may constitute either himself or another person the trustee. If he makes himself the trustee, no transfer of the subject-matter is necessary. If he makes a third party trustee, he must transfer to him the subject of the trust in such a mode as will be effectual to pass the legal title.<sup>1</sup> But if there is a mere *intention* to convey the property upon trusts, this will not be sufficient if the proper steps are not taken for the purpose of making a valid transfer of the legal title to the intended trustee.<sup>2</sup> Such was the case of *Milroy v. Lord*,<sup>3</sup> where a deed of assignment of stock, unaccompanied, however, by a *transfer of the stock*, was held ineffectual to create a trust. The case of *Donaldson v. Donaldson*<sup>4</sup> may be referred to as an authority upon the creation of voluntary trusts by a declaration that the settlor thereby constitutes himself the trustee, in which case no assignment of the legal title is required.<sup>5</sup>

<sup>1</sup> *Dickerson's Appeal*, 115 Pa. 198, citing the text; *Smith's Estate*, 144 Id. 428; *Gilmor's Estate*, 158 Id. 193; *Eshbach's Estate*, 197 Id. 157; *McCartney v. Ridgway*, 160 Ill. 129-156; *Nanney v. Morgan*, 37 Ch. D. 352. See *In re Richards*, 36 Id. 541, —a case where the donor gave her own promissory note in favor of the donee to a third party, to be handed to the donee on the donor's death.

<sup>2</sup> *Lloyd v. Brooks*, 34 Md. 33; *Swan v. Frick*, Id. 143; *Flanders v. Blandy*, 45 Ohio, 108.

<sup>3</sup> 4 De G., F. & J. 264. See, also, *Jones v. Lock*, 35 L. J. Ch. 117; 11 Jur. n. s. 913; L. R. 1 Ch. 28; *Forrest v. Forrest*, 34 L. J. Ch. 428; *Scales v. Maude*, 6 De G., M. & G. 43; *Henderson v. Henderson*, 21 Mo. 379; *Gilchrist v. Stevenson*, 9 Barb. 9, and *Cressman's Appeal*, 42 Pa. 147.

See, however, *Huntly v. Huntly*, 8 Ired. Eq. 250.

<sup>4</sup> *Kay*, 711. See, also, *Vandenberg v. Palmer*, 4 K. & J. 204; *Harris Banking Co. v. Miller*, 190 Mo. 640, and *Atkins v. Atkins*, 70 Vt. 565. A voluntary settlement may be good, although the grantor retain the instrument. The rule is, that where such a settlement is fairly made, the mere fact that the grantor retains possession of the deed, unaccompanied by other circumstances, will not affect the validity of the settlement. *Souveryby v. Arden*, 1 Johns. Ch. 256; *Clavering v. Clavering*, 2 Vern. 473; 7 Bro. P. C. 400; *Boughton v. Boughton*, 1 Atk. 625; *Johnson v. Smith*, 1 Ves. 314; *Bunn v. Winthrop*, 1 Johns. Ch. 329; *Adams v. Adams*, 21 Wall. 185.

<sup>5</sup> *Culbertson v. Witbeck*, 127 U. S.



It may be observed that, according to some English authorities, an assignment which is ineffectual to pass the legal title may yet take effect as a declaration of trust; so that the result of the abortive attempt of the assignor to convey the legal title would be, under those authorities, to constitute him a trustee of that title for the party designed to be benefited.<sup>1</sup> But these decisions have not been approved in later cases,<sup>2</sup> and the true doctrine would seem to be laid down in *Milroy v. Lord*, as stated above.

Where a settlor is not possessed of the legal present title, but has only an equitable or reversionary interest in the subject, a trust may be created either by a declaration that the settlor holds in trust, or by an assignment upon trusts.<sup>3</sup> The first of these methods stands upon the same grounds as declarations of

326; *Leeper v. Taylor*, 111 Mo. 312; *Tyler v. Tyler*, 25 Ill. App. 333; *Janes v. Falk*, 50 N. J. Eq. 468; *Krankel's Ex'x v. Krankel*, 104 Ky. 745; *Collins v. Lewis*, 60 N. J. Eq. 488, and *Collins v. Steuart*, 58 Id. 392. If a settlor designs to effect a valid settlement in a certain mode, but the settlement fails to take effect by reason of an incomplete disposition, it cannot take effect in another mode not intended by the settlor. *Milroy v. Lord*, 8 Jur. N. S. 806; *Phipard v. Phipard*, 55 Hun. 433; *Jones v. Byland*, 23 Wkly. Law Bul. 151.

<sup>1</sup> *Richardson v. Richardson*, L. R. 3 Eq. 692; *Morgan v. Malleson*, 10 Id. 475. See, also, *Huntly v. Huntly*, 8 Ired. Eq. 250; *Bond v. Bunting*, 78 Pa. 210, and *Bank v. Holland*, 99 Va. 495.

<sup>2</sup> *Warriner v. Rogers*, L. R. 16 Eq. 340; *Richards v. Delbridge*, 18 Id. 11; *Moore v. Moore*, Id. 474; *Heartley v. Nicholson*, 19 Id. 233; *In re Breton's Estate*, 17 Ch. D. 420; *Wadd v. Hazleton*, 137 N. Y. 215; *Pollock on Contracts*, 195, 196 (7th Eng. ed.); *Ellison v. Ellison*, 1 Lead. Cas. Eq. 262 (4th Eng. ed.). If the settlement is made in such a form as to be sub-

stantially a testamentary disposition, it will not be treated as an absolute conveyance in trust, but will be revocable during the lifetime of the settlor. *Turner v. Scott*, 51 Pa. 126; *Frederick's Appeal*, 52 Id. 338; *Rick's App.*, 105 Id. 528; *Chestnut St. Nat. Bk. v. Fidelity Ins. Co.*, 186 Id. 339; *Sturgeon v. Stevens*, Id. 363. And in *People's Savings Bank v. Webb*, 21 R. I. 218, it was held that the alleged settlor was a competent witness to prove that there was no intention to create a trust—this being a case of a deposit in a bank in the name of a father as trustee for the son. But an absolute deed is not rendered revocable by the mere fact that possession and control are reserved to the grantor during his life, or because it incorporates a will. See *Dawson v. Dawson*, *Rice's Eq.* 260; *Robey v. Hannon*, 6 Gill, 464; *Mayor of Baltimore v. Williams*, 6 Md. 235; *Craven v. Winter*, 38 Ia. 479. See, also, *Rynd v. Baker*, 193 Pa. 491, where *Frederick's Appeal* and the other cases (cited *supra*) are distinguished. *Clay v. Layton*, 134 Mich. 317.

<sup>3</sup> *Collinson v. Patrick*, 2 Keen, 123; *Tierney v. Wood*, 19 Beav. 330.

trust of property of which the legal title is in the settlor. An assignment, however, of an equitable interest upon a voluntary trust differs from a like assignment of a purely legal interest, in that no further formalities are necessary in order to complete the transaction, as, the legal title not being in the assignor, he can, of course, take no steps to complete its transfer. A valid voluntary trust of an equitable or reversionary interest may, therefore, be created by a simple assignment.<sup>1</sup> In such a case, however, the instrument must be an *assignment*; in other words, it must purport to give the *thing itself*. Consequently, where the document did not profess to be a transfer of the reversionary interest of the settlor in certain stock, but only to create a *charge* upon the same, the gift failed.<sup>2</sup>

It was at one time supposed that, in the assignments of equitable interests, notice to the trustees was necessary.<sup>3</sup> But this does not now seem to be requisite;<sup>4</sup> for, if the assignment is a complete one, within the principle of *Kekewich v. Manning*, no notice is necessary.<sup>5</sup>

It sometimes happens that the voluntary settlor himself seeks the aid of a court of equity to have the settlement revoked; and the question has then arisen whether in such settlements powers of revocation ought not to be inserted, and how far a voluntary irrevocable settlement, in the absence of any motive for an irrevocable gift, can be sustained. There has been some fluctuation of authority upon this point; but the true rule seems to be that the absence of a power of revocation is nothing more than a circumstance to be taken into account, and is of more or less weight according to the other circumstances of the case.<sup>6</sup> Where the

<sup>1</sup> See *Kekewich v. Manning*, 1 De G., M. & G. 176, where the conflict of authority between *Sloan v. Cadogan*, Sug. V. & P. App. 26, and *Fortescue v. Barnett*, 3 My. & K. 36, on the one hand, and *Edwards v. Jones*, 1 My. & Cr. 226, and *Meek v. Kettlewell*, 1 Hare, 464; 1 Phill. Chanc. Rep. 342, on the other, was settled in favor of the former class of cases. See, also, *Huggin's Est.*, 204 Pa. 167; *Otis v. Beckwith*, 49 Ill. 121. The decision in *Meek v. Kettlewell*, 1 Hare, 464; 1 Phill. Chanc. Rep. 342, that the vol-

untary assignment of an *expectancy*, even under seal, will not be enforced by a court of equity, has not been overruled by *Kekewich v. Manning*; *In re Ellenborough*, *Towry Law v. Burne* [1903], 1 Ch. 697, and this view seems to be taken in *Lennig's Appeal*, 182 Pa. 485.

<sup>2</sup> *In re Earl of Lucan*, 45 Ch. D. 470.

<sup>3</sup> *Meek v. Kettlewell*, *ut sup.*

<sup>4</sup> *Way's Trusts*, 2 DeG. J. & Sm. 365.

<sup>5</sup> *In re Patrick* [1891], 1 Ch. 82.

<sup>6</sup> *Valter v. Blavka*, 195 Ill. 610.

*intent* to make an irrevocable gift is perfectly apparent,<sup>1</sup> or where even in the absence of such a clear intent, a sufficient *motive* (such as protection against the grantor's own extravagance, or the like) for making such a gift exists, the settlement cannot be disturbed.<sup>2</sup> But where the deliberate *intent* does not appear, and no *motive* exists, the absence of a power of revocation is *prima facie* evidence of a mistake.<sup>3</sup> It need scarcely be added that the mere reservation of a right of revocation is not inconsistent with a declaration of trust.<sup>4</sup>

### 68. Voluntary Assignments for the benefit of Creditors.

Voluntary assignments to trustees for the benefit of creditors have been held to constitute an exception to the general rules by which the creation of voluntary trusts is governed; inasmuch as, after such an assignment, but before it is communicated to the creditors, it is considered revocable at the option of the grantor.<sup>5</sup> It was, indeed, said by Sir L. Shadwell, V. C., in *Garrard v. Lord Lauderdale*,<sup>6</sup> that such a trust was revocable by the assignor even after it had been communicated to the creditors; but this doctrine has not met the approval of subsequent

<sup>1</sup> See remarks of Lopes, L. J., in *Tucker v. Bennett*, 38 Ch. D. 17 and 18.

<sup>2</sup> *Merriman v. Munson*, 134 Pa. 114; *Reidy v. Small*, 154 Id. 505; *Edwards v. Edwards*, 170 Id. 212; *Stockett v. Ryan*, 176 Id. 71; *Neal v. Black*, 177 Id. 83; *Wilson v. Anderson*, 186 Id. 531; *Rynd v. Baker*, 193 Id. 486; *Carney v. Carney*, 196 Id. 34; *Potter v. Fidelity, Ins. Trust, etc., Co.* (No. 1), 199 Id. 360, 365; *Kraft v. Neuffer*, 202 Id. 558. See, also, *Ford v. Ford*, 193 Pa. 530, for a case in which a decree was entered modifying the absolute character of the deed of gift. *Kellett v. Sumner*, 15 Haw. 76; *Crumlish v. Security Trust Co.*, 8 Del. Ch. 395; *Dayton v. Stewart*, 99 Md. 643; *Carroll v. Smith*, 99 Md. 653.

<sup>3</sup> See *Hall v. Hall*, L. R. 8 Ch. 430; *Garnsey v. Mundy*, 24 N. J. Eq. 243; *Russell's Appeal*, 75 Pa. 269; *Miskey's Appeal*, 107 Id. 628; *Bristol v. Tasker*,

135 Id. 119; *Doran v. McConlogue*, 150 Id. 115; *Toker v. Toker*, 3 D. J. & S. 487. See, also, *Villers v. Beaumont*, 1 Vern. 100; *Naldred v. Gilham*, 1 P. Wms. 577; *Huguenin v. Baseley*, 14 Ves. 300; *Petre v. Espinasse*, 2 M. & K. 496; *Bill v. Cureton*, Id. 503; *Hastings v. Orde*, 11 Sim. 205; *Phillips v. Mullings*, L. R. 7 Ch. 244; *Cooke v. Lamotte*, 15 Beav. 234; *Wollaston v. Tribe*, L. R. 9 Eq. 44; *Hellman v. McWilliams*, 70 Cal. 449; *In re Thurston*, 154 Mass. 596. But see *Sargent v. Baldwin*, 60 Vt. 17; *Howard v. Howard*, Id. 362; *Love v. Love*, 17 Haw. 207; *Anderson v. Kemper*, 116 Ky. 339.

<sup>4</sup> *Lines v. Lines*, 142 Pa. 149; *Lewis v. Curnutt*, 130 Ia. 423; *Witherington v. Herring*, 140 N. C. 495.

<sup>5</sup> *Walwyn v. Coutts*, 3 Mer. 707; 3 Sim. 14.

<sup>6</sup> 3 Sim. 1.

decisions, and cannot be considered sound.<sup>1</sup> The doctrine in *Walwyn v. Coutts*, when properly considered, appears to be based upon the ground that in such cases the assignee for the benefit of creditors is not strictly a trustee, but a mere agent of the debtor; and that if the true relation of the parties is that of principal and agent, the ordinary rule in such cases, viz., that the authority of the agent is revocable until acted upon, must apply.<sup>2</sup> The English rule would now seem to be that it is a question of *intention*; and that where the contents of the deed and the surrounding circumstances, as recited in it, show an intention to create a trust, the rule in *Garrard v. Lord Lauderdale* does not apply.<sup>3</sup> In America the rule in *Walwyn v. Coutts*, and particularly the dictum in *Garrard v. Lord Lauderdale*, have not been approved. The assent of the creditor is presumed to be given to a trust created for his benefit, and after such assent the trust is irrevocable by the grantor.<sup>4</sup>

Even in England, if a creditor is created a trustee, and the fact of the execution of the deed is communicated to him, the trust will thenceforward be irrevocable.<sup>5</sup>

If the trust for payment of debts is to take effect after the death of the assignor, an element of bounty is introduced which will take the case out of the ruling in *Walwyn v. Coutts*.<sup>6</sup>

<sup>1</sup> *Acton v. Woodgate*, 2 M. & K. 495; *Harland v. Binks*, 15 Q. B. 713. See *Johns v. James*, 8 Ch. D. 744.

<sup>2</sup> See *Bill v. Cureton*, 2 M. & K. 511; and Lord Cranworth in *Synnot v. Simpson*, 5 H. L. Cas. 133, 134.

<sup>3</sup> See the remarks of Vaughan Williams, J., in *New v. Hunting* [1897], 1 Q. B. 607, 615-616. In this case the instrument was executed to make good losses consequent upon breaches of trust, and it was held irrevocable.

<sup>4</sup> *Tennant v. Stoney*, 1 Rich. Eq. 223; *England v. Reynolds*, 38 Ala. 370; *Moses v. Murgatroyd*, 1 Johns. Ch. R. 119; *Shepard v. McEvers*, 4 Id. 136; *Nicoll v. Mumford*, Id. 523; *Ward v. Lewis*, 4 Pick. 518; *New England Bank v. Lewis*, 8 Id. 113; *Pingree v. Comstock*, 18 Id. 46; *Fellows v. Greenleaf*, 43 N. H. 421; *Ingram v. Kirkpatrick*, 6 Ired. Eq.

463; *Weir v. Tannehill*, 2 Yerg. 57; *McKinney v. Rhoads*, 5 Watts, 343; *Read v. Robinson*, 6 W. & S. 329; 1 Lead. Cas. Eq. 327; *Perry on Trusts*, § 593. But the presumption of the creditor's assent may be rebutted by conduct. *Gibson v. Rees*, 50 Ill. 383.

<sup>5</sup> *Siggers v. Evans*, 32 Eng. L. & Eq. 139.

<sup>6</sup> *Synnot v. Simpson*, 5 H. L. Cas. 141; though see the remarks of Lord St. Leonards in his dissenting opinion, p. 152. In this connection it may be noted that the declaration of a dividend by a corporation does not create an irrevocable trust; but such declaration may be rescinded at any time before the date at which the dividend is payable. *Ford v. Easthampton Rubber Thread Co.*, 158 Mass. 84.

**69. Meritorious Consideration ; *Ellis v. Nimmo*.**

Before leaving the subject of the creation of trusts by a voluntary disposition, it will be desirable to say a few words upon the question as to whether the meritorious consideration of blood is to be placed upon the same footing as one which is purely voluntary, so far as regards the disposition of courts of equity to enforce any right or supposed right founded thereon.

It was decided by Sugden, when Lord Chancellor of Ireland, that the meritorious consideration of blood was sufficient to set the court in motion for the purpose of enforcing an executory trust.<sup>1</sup> But this decision was not followed in England; and the doctrine must be considered as settled the other way, so far as that country is concerned.<sup>2</sup>

In the United States the authorities are not altogether harmonious. The English rule has been followed in Pennsylvania,<sup>3</sup> New York, and New Jersey.<sup>4</sup> In South Carolina it is said that a voluntary declaration will be sufficient if under seal.<sup>5</sup> But the general tendency of the American authorities is the other way.<sup>6</sup>

**70. Donatio Mortis Causa.**

In connection with the subject of voluntary declarations in trust it seems proper to notice gifts *mortis causa*. A gift may, it is plain, be either absolute or conditional; and this distinction may exist as well in gifts which take effect by means of voluntary declarations in trust as in those where the legal title passes. A well-recognized class of conditional gifts is that of *donationes mortis causa*; and the question naturally arises, What are the rules which are to be applied when a gift of this sort is made in such a way that the legal title does not pass, but the

<sup>1</sup> *Ellis v. Nimmo*, L.L. & Goold, 333.

<sup>2</sup> See *Holloway v. Headington*, 8 Sim. 324; *Jefferys v. Jefferys*, 1 Cr. & Ph. 138; *Dillon v. Coppin*, My. & Cr. 647. In *Moore v. Crofton*, 3 Jones & Lat. 442, Sir E. Sugden was compelled to abandon the position he had taken in *Ellis v. Nimmo*.

<sup>3</sup> *Kennedy v. Ware*, 1 Pa. 445; *Campbell's Estate*, 7 Id. 100; though see *Dennison v. Goehring*, Id. 175, and *Bond v. Bunting*, 78 Id. 210.

<sup>4</sup> *Matter of James*, 146 N. Y. 78;

*Landon v. Hutton*, 50 N. J. Eq. 500.

<sup>5</sup> *Caldwell v. Williams*, 1 Bailey Eq. 175. To the same effect is the Missouri case of *Leeper v. Taylor*, 111 Mo. 312.

<sup>6</sup> *McIntire v. Hughes*, 4 Bibb, 186; *Mahan v. Mahan*, 7 B. Mon. 579; *Bright v. Bright*, 8 Id. 197. Perry on Trusts, § 109. See in this connection, *Waterman v. Morgan*, 114 Ind. 237; *McHugh v. O'Connor*, 91 Ala. 243.

equitable title may? A satisfactory answer to this question may be found by referring to a modern English decision.

A gift *mortis causa* is one made in expectation of death; when a person gives upon condition that, if any fatality happen to him, the receiver shall keep the article; but that if the donor should survive, or if he should change his mind, or if the donee should die first, then the donor shall have it back again.<sup>1</sup> There are three essentials to the donation, viz., (1) the gift must be with a view to the donor's death; (2) there must be an express or implied intention that the gift should only take effect on the donor's decease by his existing disorder; and (3) there must be a delivery of the subject-matter of the donation to the donee, or to some one on his behalf.<sup>2</sup>

Now, this conditional gift may be made not only by a transfer of the legal title to the subject, but by the creation of an equitable title in the donee through the medium of a voluntary declaration of trust; for it is well settled that there may be a valid gift of a *chose in action* (for example), although there has been no such transfer as would pass the title at law, if there has been that done which amounts to a declaration of trust in equity. Thus in the case, just cited, of *Austin v. Mead* (*In re Mead*)<sup>3</sup> it appeared that Mead had in his possession two bills of exchange, payable to himself or order, and that two days before his death he had handed them, undorsed, to his wife. It was held that this gift was good. There was, it will be ob-

<sup>1</sup> This is a translation of the definition given by Justinian, and is taken from the note to *In re Mead*, *Austin v. Mead*, in Brett's Leading Cases in Equity, 124 (American ed. 212). See also *Thomas's Admtr. v. Lewis*, 89 Va. 1.

<sup>2</sup> Brett's Leading Cases in Equity, *ubi supra*. The requirement as to delivery is satisfied if there has been an antecedent delivery *alio intuitu*; in other words, the *intent* and the delivery need not be contemporaneous. *Cain v. Moon* [1896], 2 Q. B. 283. Where one in view of impending dissolution clearly and intelligently manifests an intention to make a present gift of personal property to another, and in consummation of his in-

tention makes such a delivery to a third person for the use of the intended donee as he is then capable of making, considering the character and situation of the property, the person to whom the delivery is thus made will be presumed, in the absence of countervailing circumstances, to take the property as the trustee of the intended donee, and not as agent of donor. *Johnson v. Colley* and others, 101 Va., page 414; *Claytor v. Pierson*, 55 W. Va. 167.

<sup>3</sup> 15 Ch. D. 651. See also *Clement v. Cheesman*, 27 Ch. D. 631; *Debinson v. Emmons*, 158 Mass. 592; *Larrabee v. Hascall*, 88 Me. 511; *Leyson v. Davis*, 17 Mont. 220; *Funston v. Twining*, 202 Pa. 88, 91.

served, no transfer of the legal title to the bills; but there was language coupled with conduct, viz., the delivery of the bills, which was equivalent to a declaration that the donor was a trustee for the donee, and a trust enforceable against the personal representatives of the donor was created. Whether or not such a trust will arise in any given case will depend, it is believed, upon the rules heretofore stated.

On the other hand, where the transaction simply amounts to a conditional and voluntary *promise*, it cannot be sustained as a gift *mortis causa*. Therefore, where the donor hands his own cheque or note to the donee, which cheque or note is not payable during the donor's life, it cannot be enforced against the executor, for it is simply a promise without consideration—nothing more. In the case already referred to, the decedent had handed his wife, in addition to the two bills, his own cheque for £500. It was held that there was no gift of the money.<sup>1</sup>

It may be added that courts of equity maintain a concurrent jurisdiction in all cases of such donations where the remedy at law is not adequate or complete. But in such cases the jurisdiction stands on general grounds, and not upon any notion that a *donatio mortis causa* is from its own nature properly cognizable therein.<sup>2</sup> Of course, where the legal title passes, no resort to the doctrine of voluntary declaration of trusts is necessary.<sup>3</sup>

### 71. Trusts created by Precatory Words : English doctrine.

It has been seen, already, that no particular form of language is necessary to create a trust.<sup>4</sup> Certain words, it is true, are considered apt words for that purpose, and are generally used in all carefully prepared instruments by which a disposition of property, either *inter vivos* or after death, is effected; but, nevertheless, if the expressions used sufficiently indicate an

<sup>1</sup> *Austin v. Mead*, 15 Ch. D. 651. See, also, *Matter of James*, 146 N. Y. 78; *Hemphill's Estate*, 180 Pa. 87-92, and *Pullen v. Placer County Bank*, 138 Cal. 169.

<sup>2</sup> *Story's Eq. Jurisp.* § 666. As to the equitable remedy by Administration Suits, where these gifts are sometimes enforced, see *post*, Part III, Chap. VI.

<sup>3</sup> Upon the general subject see

*Ward v. Turner*, 1 Lead. Cas. Eq. 905, and notes; *Yancey v. Field*, 85 Va. 756; *Flanders v. Blandy*, 45 Ohio, 108; *Hogan v. Sullivan*, 114 Ia. 456; *Basket v. Hassell*, 107 U. S. 602; *Walsh's Appeal*, 122 Pa. 187; *Funstun v. Twining*, 202 Id. 88, 92; *In re Andrews* [1902], 2 Ch. 394; 3 *Pomeroy's Eq.* § 1146.

<sup>4</sup> *Witherington v. Herring*, 140 N. C. 495.

intention to create a trust, they will be construed to have that effect, although the technical words most proper to accomplish the object in view have not been employed.

This is especially so in the case of wills. The intention of the testator has always been regarded as the pole star by which any construction of the testamentary instrument is to be guided. To ascertain that intention is the aim of all well-directed attempts at interpretation. Whenever, therefore, it appears from the language of the will that it was the intention of the testator to create a trust, the courts will give effect to that intention, in whatever words it may be expressed.

Where the testator's intention to create a trust is declared in express language there can be no difficulty. If, for example, there is an absolute gift to A. B., followed by a declaration that the subject of the gift is to be held in trust for C. D., the absolute nature of the first gift will, as a matter of course, not prevent the trust which is created by the subsequent language from attaching. In such a case the interpretation of the will is plain. There is an express trust.

But let it be supposed that there is a gift to A., followed, not by language of a direct and imperative character that the bequest or devise should be for the benefit of another, but by such phrases as "I wish," "I hope," "I desire" (or the like) that the gift may be held by the donee for the benefit or use of a third party, the question will then arise whether such expressions shall be construed as imperative and shall be so interpreted as to fasten a trust upon the donee, or whether they shall be regarded as indicating a mere wish, the compliance with which is left to the donee's discretion. The question has been considered in very many cases, and the doctrine has been subject to some fluctuation.

Words of expectation, hope, desire, or recommendation, used by testators in the manner above indicated—that is, attached to and qualifying an absolute gift—are termed "precatory words;" and the rule in England upon this subject formerly was that whenever property is given by will to one person, coupled with expressions of expectation, request, desire, or recommendation that he will use or dispose of the same for the benefit of another, the donee will be considered a trustee of the property for the purposes indicated by the testator, unless it should appear from other expressions in the will that the application or non-



application of the subject to the designated object was intended to be left to the option of the donee. In other words, such expressions were considered as *prima facie* imperative—the wish of the testator, like the request of a sovereign, was to be treated as equivalent to a command.<sup>1</sup>

But within the last few years the doctrine has changed; and the English rule now is that precatory words are *not* to be regarded as imperative unless it is plain from the context that the testator so intended them.<sup>2</sup> *Prima facie* a mere request, or an expression of hope or confidence or expectation, does not import a command.

The modern leading English case is *In re Adams* and the Kensington Vestry.<sup>3</sup> There the testator gave all his real and personal estate to his wife, “in full confidence that she would do what was right as to the disposal thereof between his children, either in her lifetime or by will after her decease.” The Court of Appeal decided that the widow took an absolute interest, unfettered by any trust in favor of the children.

Long before this case, indeed, the doctrine of the creation of trusts by precatory words had by no means been regarded with invariable favor in England,<sup>4</sup> and in many cases a disposition had been evinced to qualify it or apply it very guardedly.<sup>5</sup> In *Lambe v. Eames*<sup>6</sup> Lord Justice James took a decided stand against the doctrine; and his views were approved and adopted in the leading case above cited.<sup>7</sup>

<sup>1</sup> See the remarks of Lord Langdale, M. R., in *Knight v. Knight*, 3 Beav. 173; *Knight v. Boughton*, 11 Cl. & Fin. 513; and *Mason v. Limbury*, cited in *Vernon v. Vernon*, Ambler, 4.

<sup>2</sup> Same rule laid down *In re Hamilton*, *Trench v. Hamilton* [1895], 1 Ch. 373. Affirmed by C. A. [1895], 2 Chan. 370. In this case *Malim v. Keighley*, 2 Ves. Jr. 335, *post*, § 73, was not followed. See also *Hill v. Hill* [1897], 1 Q. B. 483; and *Estate of Marti*, 132 Cal. 666. In this last case the English rule was followed and the statement in the text approved.

<sup>3</sup> 27 Ch. D. 394. Brett's Lead. Cas. in Eq. 13.

<sup>4</sup> *Sale v. Moore*, 1 Sim. 540.

<sup>5</sup> *Briggs v. Penny*, 3 MacN. & G. 546; *Johnston v. Rowlands*, 2 DeG. & Sm. 356; *Webb v. Wools*, 2 Sim. N. R. 267; *Reeves v. Baker*, 18 Beav. 372; *Hood v. Oglander*, 34 L. J. Ch. 528; and *McCormick v. Grogan*, L. R. 4 H. L. 82.

<sup>6</sup> L. R. 6 Ch. App. 597.

<sup>7</sup> *In re Adams* and the Kensington Vestry, 27 Ch. D. 411. See also *In re Hutchinson* and Tenant, 8 Ch. D. 540; *Mussoorie Bank v. Raynor*, 7 App. Cas. 321; and *Hanbury v. Fisher* [1904], 1 Ch. 415. See the remarks of Jessel, M. R., in *Stead v. Mellor*, 5 Ch. D. 227; and *Parnall v. Parnall*, 9 Ch. D. 96.

## 72. Doctrine on this subject in the United States generally; in Pennsylvania and Connecticut.

In the United States the rule in the different states has been by no means uniform.

In some states the tendency has been in favor of giving an imperative construction to precatory words.<sup>1</sup>

In Massachusetts, although in *Warner v. Bates*,<sup>2</sup> where the facts were very similar to those in *Adams* and the *Kensington Vestry*, a decision in favor of the creation of a trust was reached, yet in the more recent case of *Aldrich v. Aldrich*<sup>3</sup> it was said (in speaking of the old rule), that the tendency of the later decisions was, if not to relax it, at least not to extend it. It was therefore held that the true views were those which had been expressed in *Lambe v. Eames*, and that, in the case in hand, no trust had been created.

In Connecticut and Pennsylvania the doctrine that precatory words are to be considered as *prima facie* imperative has been regarded with disfavor. In the former state the earlier decision of *Bull v. Bull*<sup>4</sup> was disapproved in *Gilbert v. Chapin*;<sup>5</sup> while in the latter, in *Pennock's Estate*,<sup>6</sup> the conclusions reached by the court were, that "words in a will, expressive of desire, recommendation, and confidence, are not words of technical, but of common parlance, and are not *prima facie* sufficient to convert a devise or bequest into a trust; and the old Roman

<sup>1</sup> *Harrisons v. Harrison's Adm'r*, 2 Gratt. 1; *Reid's Adm'r v. Blackstone*, 14 Id. 363 (though see *Crump v. Reid's Adm'r*, 6 Id. 372); *Cole v. Littlefield*, 35 Me. 439; *Dresser v. Dresser*, 46 Id. 58; *Erickson v. Willard*, 1 N. H. 217; *Foster v. Willson*, 68 N. H. 241; *Lucas v. Lockhart*, 10 Sm. & Marsh. 466; *Ward v. Peloubet*, 10 N. J. Eq. 305; *Carson v. Carson*, 1 Ired. Eq. 329; *Chase v. Chase*, 2 Allen, 101; *Loring v. Loring*, 100 Mass. 340; *Collins v. Carlisle*, 7 B. Mon. 14; *McRee's Adm'r's v. Means*, 34 Ala. 349; though see *Ellis v. Ellis*, 15 Id. 296; *Haskett v. Alexander*, 134 Ind. 543; Cf. *Mitchell v. Mitchell*, 143 Id. 113, which is distinguished from the case just cited. See also *Lines v. Darden*, 5 Fla. 51.

<sup>2</sup> 98 Mass. 274. See also *Spooner v. Lovejoy*, 108 Mass. 533.

<sup>3</sup> 172 Mass. 101. See also *Durant v. Smith*, 159 Mass. 229; *Poor v. Bradbury*, 196 Mass. 207, and *Baker v. Baker*, 53 W. Va. 165.

<sup>4</sup> 8 Conn. 47.

<sup>5</sup> 19 Conn. 351. *Dexter v. Evans*, 63 Conn. 58, is consistent with this ruling, for *there* the whole will showed that the words were used in an imperative sense. *Hughes v. Fitzgerald*, 78 Conn. 4.

<sup>6</sup> 20 Pa. 268-280. See also *Paisley's Appeal*, 70 Id. 153; *The Second Ref. Pres. Church v. Disbrow*, 52 Id. 219; and *Murphy's Estate*, 184 Id. 314. See *Rhett v. Mason*, 18 Gratt. 541.

and English rule on this subject is not part of the common law of Pennsylvania;" and that "such words may amount to a declaration of trust, when it appears, from other parts of the will, that the testator intended not to commit the estate to the devisee, or legatee, or the ultimate disposal of it to his kindness, justice, or discretion." Later cases have followed this rule.<sup>1</sup>

In South Carolina and New York, also, the disposition appears to be to construe the rule with strictness,<sup>2</sup> in the latter state the English case, *In re Hutchinson and Tenant*,<sup>3</sup> being followed. A still more decided stand in favor of the modern doctrine has been taken in Maryland and in Tennessee.<sup>4</sup> In New Jersey<sup>5</sup> the inclination now is the other way, *i. e.*, in favor of the old rule.<sup>6</sup>

The subject came before the Supreme Court of the United States in 1888, in *Colton v. Colton*.<sup>7</sup> The gift there was in the following terms: "I give and bequeath to my said wife all my estate. . . . I recommend to her the care and protection of my mother and sister, and request her to make such gift and provision for them as to her judgment will be best." The authorities were reviewed; and the conclusion reached that the language in question was to be deemed imperative.

In this conflict or apparent <sup>8</sup> conflict of authority, rules upon the subject must be guardedly stated.

### 73. What Precatory Words will create a Trust.

It is, of course, almost impossible to state, with certainty, what particular precatory words will or will not, in any case, create a trust; for they are, in most instances, so interwoven with other expressions that the effect to be given to them must depend very much upon the language of the particular instrument under consideration. The following expressions, how-

<sup>1</sup> *Bowlby v. Thunder*, 105 Pa. 173; *Hopkins v. Glunt*, 111 Id. 287; *Presbyterian Board v. Culp*, 151 Id. 467. See *Burt v. Herron*, 66 Id. 400.

<sup>2</sup> *Leesene v. Witte*, 5 S. C. 450. See *In re Foley's Will*, 10 N. Y. Supp 12; *Post v. Moore*, 181 N. Y. 15. Delaware court construes strictly, *Bryan v. Milby*, 6 Del. Ch. 208, also in North Carolina, *St. James v. Bagley*, 138 N. C. 384.

<sup>3</sup> 8 Ch. D. 540.

<sup>4</sup> *Pratt v. Sheppard, etc., Hospital*,

88 Md. 610; *Ensley v. Ensley*, 105 Tenn. 107.

<sup>5</sup> And *Georgia, Prince v. Barrow*, 120 Ga. 810.

<sup>6</sup> *Van Duyne v. Van Duyne*, 2 McCart. 503; overruling same case in 1 Id. 397; *Eberhardt v. Perolin*, 48 N. J. Eq. 592.

<sup>7</sup> 127 U. S. 300.

<sup>8</sup> Mr. Justice Matthews in *Colton v. Colton* did not seem to consider that his views, as expressed in that case, were contrary to the decision in

ever, have been held effective in fastening the character of a trust upon what would otherwise have been an absolute gift: "desire,"<sup>1</sup> "recommend,"<sup>2</sup> "not doubting,"<sup>3</sup> "in the fullest confidence,"<sup>4</sup> "wish and will,"<sup>5</sup> "allow,"<sup>6</sup> "hope,"<sup>7</sup> "entreat,"<sup>8</sup> and, in general, any words which indicate an intention that the donee should not take beneficially, but should be merely an instrument to distribute the testator's bounty to others.<sup>9</sup>

The question in all cases is whether a trust was or was not intended to be created, or, in other words, whether the testator designed to leave the application or non-application of the subject-matter of the bequest to the designated object entirely to the discretion of the donee, or whether his meaning was that his language should be deemed imperative, and that such discretion should be excluded.<sup>10</sup> This is usually considered, by the best authorities, to depend upon three things: *first*, upon the general terms of the will; *second*, upon the certainty of the object; and *third*, upon the certainty of the subject.<sup>11</sup>

#### 74. Are such words *prima facie* imperative?

*First.* Precatory expressions may be considered as imperative if they are used in such a way as to show plainly an intention to exclude discretion; the wish of a testator, no matter how expressed, if expressed clearly, should be regarded as a command.<sup>12</sup> But unless precatory words are clearly so used,

*In re* Adams and the Kensington Vestry, 27 Ch. D. 394.

<sup>1</sup> *Cruwys v. Colman*, 9 Vesey, 319; *Mason v. Limbury* (*supra*); *Erickson v. Willard*, 1 N. H. 217. "Desire and direct," *Plaut v. Plaut*, 80 Conn. 673.

<sup>2</sup> *Malim v. Keighley*, 2 Ves. Jr. 333, 529; *Pierson v. Garnet*, 2 Bro. C. C. 38, overruling *Cunliffe v. Cunliffe*, Amb. 686; *Tibbits v. Tibbits*, 19 Ves. 664; *Horwood v. West*, 1 Sim. & Stu. 387; *Ford v. Fowler*, 3 Beav. 146.

<sup>3</sup> *Massey v. Sherman*, Ambler, 520; *Parsons v. Baker*, 18 Ves. 476.

<sup>4</sup> *Wright v. Atkyns*, 17 Ves. 255; 19 Id. 299; *T. & R.* 146; and see *Warner v. Bates*, 98 Mass. 274; *Harrisons v. Harrison's Adm'r*, 2 Gratt. 1; *Bull v. Bull*, 8 Conn. 47; *Dresser*

*v. Dresser*, 46 Me. 48; *Shovelton v. Shovelton*, 32 Beav. 143.

<sup>5</sup> *McRee's Adm'rs v. Means*, 34 Ala. 349.

<sup>6</sup> *Hunter v. Stembridge*, 12 Ga. 192.

<sup>7</sup> *Harland v. Trigg*, 1 Bro. C. C. 144.

<sup>8</sup> *Prevost v. Clarke*, 2 Mad. 458;

*Taylor v. George*, 2 V. & B. 378.

<sup>9</sup> See *Harding v. Glyn*, 2 Lead. Cas. Eq. 948 (4th Eng. ed.) and notes.

<sup>10</sup> *Aldrich v. Aldrich*, 172 Mass. 101; *Clifford v. Stewart*, 95 Me. 38.

<sup>11</sup> *Briggs v. Penny*, 3 MacN. & G. 546; *Stead v. Mellor*, 5 Ch. Div. 227; *Lines v. Darden*, 5 Fla. 51; *Ensley v. Ensley*, 105 Tenn. 107; notes to *Harding v. Glyn*, 2 Lead Cas. Eq. *ut sup.*

<sup>12</sup> *Fox's Appeal*, 99 Ps. 286; *Oyster*

they will not create a trust.<sup>1</sup> It is seldom, indeed, that expressions of this nature are found standing alone, and not strengthened, or qualified, or controlled by the context; but if it is clear from the whole will that discretion is excluded, precatory words ought to be considered as imposing an obligation, and not merely as constituting a request which the person to whom it is addressed is at liberty to disregard. The reason is obvious. A will, in its very nature, is the disposition which the testator desires to have made of his estate after his death. All expressions in it indicative of his wish or will are commands. As a matter of course, the *prima facies* of a mere request, established by the use of precatory words, is liable to be rebutted by any other expressions which indicate an intention on the part of the testator that they should be taken in an imperative sense; in other words, this particular canon of construction, now under consideration, is, like all others, subordinate to the general rule that the *intention* of the testator as gathered from the whole will is to govern.<sup>2</sup>

It is to be observed here, that mere discretion as to the distribution of the subject-matter of the bequest among the designated objects, or a discretion as to the selection of a recipient of the testator's bounty out of a particular class, will not detract from the imperative character of precatory expressions, and the donee will be considered as a trustee with a power of distribution or selection.<sup>3</sup>

#### 75. Certainty of the object is an element for consideration.

*Second.* The determination of the question whether or not discretion has been excluded, often depends upon the degree of certainty with which the objects of the supposed bounty are pointed out. If, for example, a gift is bestowed coupled with a

v. Knull, 137 Id. 448; Foster v. Willson, 68 N. H. 241.

<sup>1</sup> Burt v. Herron, 66 Pa. 402. See Hambel v. Hambel, 109 Ia. 459; Williams v. The Committee, 92 Md. 497.

<sup>2</sup> Eaton v. Watts, L. R. 4 Eq. 151, 155; Young v. Martin, 2 Y. & C. 582; Brunson v. King, 2 Hill Ch. 490; Van Amee v. Jackson, 35 Vt. 177; Negroes Chase et al. v. Plummer, 17 Md. 165;

Spooner v. Lovejoy, 108 Mass. 533; Bacon v. Ransom, 139 Id. 117; Bidle's Appeal, 80 Pa. 258; Mills v. Newberry, 112 Ill. 123; Pratt v. Sheppard, etc., Hospital, 88 Md. 610; Foster v. Willson, 68 N. H. 241.

<sup>3</sup> Shovelton v. Shovelton, 32 Beav. 143; Harding v. Glyn, 1 Atk. 469; 2 Lead. Cas. Eq. 950 (4th Eng. ed.).

suggestion or recommendation that it be applied by the donee to objects which are vaguely and imperfectly described, this vagueness will be regarded by the court as tending to show that the application or non-application of the gift was to be left to the option of the donee. It is true, indeed, that certainty is required in all trusts, no matter how they may be created. "To constitute a valid trust," said Sir William Grant, M.R., in *Cruwys v. Colman*,<sup>1</sup> "undoubtedly three circumstances must concur: sufficient words to raise it, a definite subject, and a certain or ascertained object." There is, however, this difference between trusts created by technical words and those raised by expressions of recommendation and request. In the former, if the trust fails for want of certainty in the objects, the trustee will not hold beneficially, but there will be a resulting trust in favor of the donor of the estate; in the latter this uncertainty will, in many instances, take away entirely from the gift its fiduciary character, and cause it to vest beneficially in the donee. In one case a trust is created, but fails for want of certainty in its objects; in the other the want of certainty is *evidence* to show that the donor had never intended to create a trust.<sup>2</sup> "Wherever," says the Lord Chancellor, in *Morice v. The Bishop of Durham*,<sup>3</sup> "the subject to be administered is trust property, and the objects for whose benefit it is to be administered are to be found in a will not expressly creating a trust, the indefinite nature and quantum of the subject, and the indefinite nature of the objects are always used by the court as *evidence* that the mind of the testator was not to create a trust;" and this rule has been acted upon in many cases.<sup>4</sup> But, although uncertainty in the object is *evidence* to show that a trust was not intended, it is by no means *conclusive* evidence;<sup>5</sup> for if the precatory words are strong, and not qualified by other expressions, the legatee or devisee will not take beneficially, although the trust should fail for want of certainty in the object; and still more so will this be the case if other provisions in the will in-

<sup>1</sup> 9 Vesey, 323.

<sup>2</sup> *Pratt v. Sheppard, etc., Hospital*, 98 Md. 610.

<sup>3</sup> 10 Vesey, 536.

<sup>4</sup> *Harland v. Trigg*, 1 Bro. C. C. 142; *Meredith v. Heneage*, 1 Sim. 542; *Harper v. Phelps*, 21 Conn. 259; *Hood v. Oglander*, 34 L. J. Ch. 528; *Tolson*

*v. Tolson*, 10 G. & J. 159; *Giles v. Anslow*, 128 Ill. 187; *Pratt v. Sheppard, etc., Hospital*, 88 Md. 610; *Williams v. The Committee*, 92 Id. 497.

<sup>5</sup> *Pratt v. Sheppard, etc., Hospital*, 88 Md. 610; *Williams v. The Committee*, 92 Id. 497.

dicate the intention of the testator to be that the donee should take only as a trustee.<sup>1</sup>

### 76. Certainty of the subject.

*Third.* The certainty with which the subject of the bequest or devise is described must also be taken into consideration.<sup>2</sup> It very often happens that a testator gives property to one person with a request or hope that after the decease of the first taker the "surplus" (describing it by this or some other uncertain word) shall be distributed among some designated objects. It has been held that such terms indicate a desire on the part of the testator that the first taker should have absolute control over the property, and that its ultimate disposition should depend entirely upon his discretion.<sup>3</sup> But any words which point out clearly what the property is to which the trust is intended to apply will be sufficient, no matter how untechnical and unartificial they may be.<sup>4</sup>

It may, perhaps, be doubted whether this doctrine of precatory trusts should be extended to conveyances *inter vivos*. It was, nevertheless, so extended in *Liddard v. Liddard*,<sup>5</sup> by the Master of the Rolls, Lord Romilly.

### 77. Powers in Trust; *Salisbury v. Denton*.

It sometimes happens that a trust is created, of which the subject is not, strictly speaking, property, but only a power or authority to dispose of property. A power is usually defined to be an authority whereby a person is enabled to dispose of an interest vested either in himself or in another. The exercise of these powers, in most instances, depends upon the discretion of the donee of the power, and no person can take by virtue of the

<sup>1</sup> *Bernard v. Minshull*, Johns. 276; *Ingram v. Fraley*, 29 Ga. 553; Hill on Trustees, 110 (4th Am. ed.), notes. The rule laid down in *Briggs v. Penny*, 3 MacN. & G. 546, on this subject has not met with entire approval. See *Hawkins on Wills*, 160. But see *In re Foley's Will*, 10 N. Y. Supp. 12.

<sup>2</sup> *Swarthout v. Swarthout, et al.*, 111 Wis. 102.

<sup>3</sup> *Knight v. Boughton*, 11 Cl. & F. 513; *Clancarty v. Clancarty*, 31 L. R. Ir. 549; *Pennock's Estate*, 20 Pa. 268; *Cowman v. Harrison*, 10 Hare, 234;

*Palmer v. Simmonds*, 2 Dr. 221; *Smith v. Bell*, Mart. & Yerg. 302; *Constable v. Bull*, 3 DeG. & Sm. 411; *Nunn v. O'Brien*, 83 Md. 198; *Durant v. Smith*, 159 Mass. 229; *Coulson v. Alpaugh*, 163 Ill. 298; Hill on Trustees, 119 (4th Am. ed.). See the rules upon the subject of precatory trusts stated in Hill on Trustees, 73 (4th Am. ed.), and approved in *Perry on Trusts*, § 114, note.

<sup>4</sup> *Cruwys v. Colman*, 9 Ves. 319; Hill on Trustees, 74.

<sup>5</sup> 28 Beav. 266.

power unless the donee thereof chooses to exercise this discretion. But there are also powers which partake of the nature of trusts. "There are not only a mere trust and a mere power," said Lord Eldon, in *Brown v. Higgs*<sup>1</sup> (which is the leading authority upon the subject of powers in trust), "but there is also known to this court a power which the party to whom it is given is entrusted and required to execute; and with regard to that species of power the court considers it as partaking so much of the nature and qualities of a trust, that if the person who has that duty imposed upon him does not discharge it, the court will to a certain extent discharge the duty in his own room and place."<sup>2</sup> This rule has been followed both in England and in the United States.<sup>3</sup> If the donee of a power in trust chooses to exercise the power, he can select, at his discretion, any one of the designated class.<sup>4</sup> If he makes no selection, a court of chancery will not attempt to exercise any discretion, but will make equal distribution among the parties who constitute the favored class.<sup>5</sup> Thus, in the case of *Salisbury v. Denton*,<sup>6</sup> a testator gave a fund to his widow to be disposed of by her partly to charity and partly among such relations as she should select. Upon the death of the widow without exercising the power, it was held that the charity was entitled to one moiety of the fund, and that the other should be divided among those entitled under the statute of distributions.

<sup>1</sup> 8 Vesey, 570; 4 Id. 708; 5 Id. 495.

<sup>2</sup> See also *Harding v. Glyn*, 1 Atk. 469; *Cole v. Wade*, 16 Ves. 42.

<sup>3</sup> *Brown v. Pocock*, 6 Sim. 257; *Croft v. Adam*, 12 Sim. 639; *Salisbury v. Denton*, 3 K. & J. 529; *In re Caplin's Will*, 34 L. J. Ch. n. s. 578; *Penny v. Turner*, 2 Phil. 493; *Fordyce v. Bridges*, Id. 497; *White's Trusts*, Johns. 656; *Minors v. Batteson*, L. R. 1 App. Cas. 428; *Withers v. Yeadon*, 1 Rich. Eq. 324; *Collins v. Carlisle*, 7 B. Mon. 14; *Gibbs v. Marsh*, 2 Metc. 243; *Miller v. Meetch*, 8 Pa. 417; *Smith v. Bowen*, 35 N. Y. 83; *Whiting v. Whiting*, 4 Gray, 240; *Chase v. Chase*, 2 Allen, 101; *Hatchett v. Hatchett*, 103 Ala. 556; *French v. Westgate*, 70 N. H. 229; *Perry on Trusts*, § 248 *et seq.*

<sup>4</sup> In *Willis v. Kymer*, 7 Ch. D. 183 (a case of the first impression), it was decided by Jessel, M.R., that where a trust had been created by will, in favor of "children" *simpliciter*, the trustee might, in executing the trust, limit the shares of the daughters to their separate use. The trust in that case was created by precatory words.

<sup>5</sup> A Court of Chancery will not interfere with discretion in cases of private trusts, and, *a fortiori*, in those of a public character. *Haight v. Day*, 1 Johns. Ch. 21. See, also, *Naglee's Est.*, 52 Pa. 159.

<sup>6</sup> 3 K. & J. 529. See *Rorke v. Abraham* [1895], 1 I. R. 334; *Glover v. Condell*, 163 Ill. 566-594; *Smith v. Floyd*, 140 N. Y. 337.



In those cases in which the execution of the power is not to take effect out of an interest conferred upon the donee of the power, the courts have exhibited greater reluctance in favoring the power than in those cases in which the donee of the power would be entitled beneficially in default of the execution of the power; because, in the latter case there would be an intention of the testator to qualify the gift to the donee of the power which would be defeated, whereas no such intention can be presumed to exist where the donee of the power has no interest in the estate.<sup>1</sup> However, the tendency of the courts is now towards favoring the objects of the power.<sup>2</sup>

It is only when the power is in *trust* that a court of equity will decree its execution.<sup>3</sup> Therefore, it would seem to follow that there must be sufficient certainty in declaring the objects and pointing out the subject of the trust; and that no trust will be construed to exist when there is nothing to show with certainty in whose favor or in what shares a gift was intended.<sup>4</sup>

<sup>1</sup> Hill on Trustees, 68; Harding v. Glyn, 1 Atk. 468; Brown v. Higgs, 4 Ves. Jr. 708; s. c. 8 Ves. 561; Bull v. Vardy, 1 Ves. 271; 2 Sudg. Pow. 177; Duke of Marlborough v. Godolphin, 2 Ves. Sr. 61; Crossling v. Crossling, 2 Cox, 396.

<sup>2</sup> Hill on Trustees, 69.

<sup>3</sup> Towler v. Towler, 142 N. Y. 371; Osborne v. Gordon, 86 Wis. 92.

<sup>4</sup> In re Eddowes, 1 Dr. & Sm. 395; In re Weekes' Settlement [1897], 1 Ch. 289.

## CHAPTER III.

## IMPLIED TRUSTS.

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>78. Implied Trusts of two kinds: Resulting Trusts and Constructive Trusts.</p> <p>79. Resulting Trusts of four kinds.</p> <p>80. Purchase-money paid by one; title taken in name of another.</p> <p>81. Requisites to such a Trust.</p> <p>82. Statute of Frauds.</p> <p>83. Parol evidence admissible.</p> <p>84. Advancements.</p> <p>85. Trusts of this kind abolished in certain States.</p> <p>86. Purchases by Trustees with Trust Funds: Following Trust Funds.</p> | <p>87. Conveyance where Trust is not declared or fails.</p> <p>88. Where the beneficial interest is not exhausted.</p> <p>89. Exceptions in favor of charities.</p> <p>90. Conveyances without consideration.</p> <p>91. Constructive Trusts.</p> <p>92. Trustee cannot acquire rights antagonistic to <i>cestui que trust</i>.</p> <p>93. Extent of this rule.</p> <p>94. Trustee cannot purchase at his own sale.</p> <p>95. Other Constructive Trusts.</p> |
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### 78. Implied Trusts of two kinds: Resulting Trusts and Constructive Trusts.

TRUSTS by implication of law may arise either for the purpose of carrying out the presumed intention of the parties or they may be entirely independent of, or even contrary to, intention. Trusts of the first class are said to *result* by operation or presumption of law from certain acts or relations of parties from which an intention to create a trust is supposed to exist, and they are, therefore, called *Resulting* or *Presumptive* Trusts. Trusts of the second class exist purely by construction of law, without any actual or supposed *intention* that a trust should be created, but merely for the purpose of asserting rights of parties or of frustrating fraud. They are termed, therefore, *Constructive* Trusts.<sup>1</sup>

### 79. Resulting Trusts of four kinds.

Resulting trusts may arise in several ways, and may be con-

<sup>1</sup> The term "Constructive Trusts" is somewhat arbitrary. It is, by some authors and judges, used synonymously with "Implied Trusts."

See the language of Lord Esher, M.R., in *Soar v. Ashwell* [1893], 2 Q. B. 390-393.

veniently divided into the following classes: (1) Where a purchaser pays the purchase-money, but takes the title in the name of another; (2) where a trustee or other fiduciary buys property in his own name, but with trust funds; (3) where the trusts of a conveyance are not declared, or are only partially declared, or fail; and (4) where a conveyance is made without any consideration, and it appears from circumstances that the grantee was not intended to take beneficially.<sup>1</sup>

#### 80. Purchase-money paid by one; title taken in name of another.

The nature of resulting trusts of the first of the above classes was clearly stated by Lord Chief Baron Eyre in the leading case of *Dyer v. Dyer*,<sup>2</sup> and his language has been approved and followed both in England and in this country. "The result of all the cases," he says, "without a single exception, is that the trust of a legal estate, whether freehold, copyhold, or lease-

<sup>1</sup> This classification adopted in *Williams v. Williams*, 108 Iowa, 91; *Avery v. Stewart*, 136 N. C. 426. No trust results in favor of a person furnishing the consideration for land the title to which with his consent is taken in the name of another. 3 Comp. Laws of Mich. §§ 8835, 8837. *Hamilton v. Wickson*, 131 Mich. 71.

<sup>2</sup> 2 Cox, 92; 1 Lead. Cas. Eq. 165; 203 (4th Eng. ed.). See *Buck v. Pike*, 2 Fairfield, 9; *Pinney v. Fellows*, 15 Vt. 525; *Clark v. Clark*, 43 Id. 685; *Boyd v. McLean*, 1 Johns. Ch. 582; *Buffalo, etc., R. R. Co. v. Lampson*, 47 Barb. 533; *Stratton v. Dialogue*, 16 N. J. Eq. 70; *De Peyster v. Gould*, 3 Id. 480; *Jackman v. Ringland*, 4 W. & S. 149; *Williard v. Williard*, 56 Pa. 119; *Bickel's Appeal*, 86 Id. 204; *Newells v. Morgan*, 3 Harring. 229; *Hollis v. Hayes*, 1 Md. Ch. 479; *Cecil Bank v. Snively*, 23 Md. 261; *Bank of United States v. Carrington*, 7 Leigh, 566; *Powell v. Powell*, 1 Freem. Ch. 134; *Thomas v. Walker*, 6 Humph. 93; *Butler*

*v. Rutledge*, 2 Cold. 4; *Perry v. Head*, 1 A. K. Marsh, 47; *Snelling v. Utterback*, 1 Bibb, 609; *Martin v. Martin*, 5 Bush, 54; *Gass v. Gass*, 1 Heisk. 613; *Sandford v. Weeden*, 2 Id. 71; *Elliott v. Armstrong*, 2 Blackf. 198; *Paul v. Chouteau*, 14 Mo. 580; *Tarpley v. Poage's Adm'r*, 2 Tex. 150; *Smith v. Bokuet*, 27 Id. 507; *Robinson v. Robinson*, 22 Ia. 427; *Perry on Trusts*, § 126; 2 Sug. V. & P. 701 (8th Am. ed.). See, also, *Williams v. Brown*, 14 Ill. 200; *Nichols v. Thornton*, 16 Id. 113; *Creed v. Lancaster Bank*, 1 Ohio St. R. 1; *Barron v. Barron*, 24 Vt. 375; *Beck v. Graybill*, 28 Pa. 66; *Kisler v. Kisler*, 2 Watts, 323; *Jenison v. Graves*, 2 Black. 141; *Bear v. Konigstein*, 16 Neb. 65; *Champlin v. Champlin*, 136 Ill. 309; *Summers v. Moore*, 113 N. C. 394; *Brennaman v. Schell*, 212 Ill. 356; *Casciola v. Donatelli*, 218 Pa. 624; *Herlihy v. Coney*, 99 Me. 469; *Lahey v. Broderick*, 72 N. H. 180; *Beloate v. Hennessee*, 81 Ark. 478; *Howe v. Howe*, 199 Mass. 598.

hold; whether taken in the names of the purchaser and others jointly, or in the names of others without that of the purchaser, whether in one name or several, whether jointly or successively, results to the man who advances the purchase-money." To illustrate the doctrine thus stated, suppose A advances the purchase-money of an estate, and a conveyance of the legal interest in it is made either to B, or to B and C, or to A, B, and C jointly, or to A, B, and C successively. In all these cases, if B and C are strangers, a trust will result in favor of A.<sup>1</sup>

The reason of this doctrine is, that the man who pays the purchase-money is supposed to become, or to intend to become, the owner of the property, and the beneficial title follows that supposed intention.<sup>2</sup>

This doctrine is in analogy to the common-law rule, that where there is a feoffment without consideration, the use will result to the feoffor.<sup>3</sup>

It applies to both realty and personalty;<sup>4</sup> and trusts of this nature are expressly excepted out of the Statute of Frauds.<sup>5</sup>

<sup>1</sup> 1 Lead. Cas. in Eq. 173; *Carter v. Challen*, 83 Ala. 135; *O'Connor v. Irvine*, 74 Cal. 435. Resulting Trusts discussed in 89 Law Times, 152; Kansas Gen. Stat. 1901, § 7880, "When a conveyance for a valuable consideration is made to one person and the consideration therefor paid by another, no use or trust shall result in favor of the latter but the title shall vest in the former."

<sup>2</sup> But this rule will not apply where the intention is otherwise. N conveyed to F. The grantee was designated "Trustee for R," and the habendum clause was, "To have and to hold the above described land and premises, with the appurtenances, unto the said party of the second part F, his heirs and assigns, to the only proper use, benefit and behoof of R aforesaid, her heirs and assigns forever." The consideration proceeded from F, who stood in loco parentis to R. Held that if the statute of uses executed the legal estate in R, it did not, because the consideration pro-

ceeded from F, make her a Trustee for him. A trust will not be raised in opposition to the declaration of the person who advances the money or the obvious purpose and design of the transaction. *Wolters v. Shraft*, 69 N. J. Eq. 215.

<sup>3</sup> *Per Eyre*, C. B., in *Dyer v. Dyer* (*supra*, p. 135, n. 2).

<sup>4</sup> *Ellsworth v. M. T. Ames Co.*, 125 Ill. 223. But not, it is said, to perishable property; *Union Bank v. Baker*, 8 Hump. 447; *Perry on Trusts*, § 130; nor to a mere claim to property; *Mandeville v. Solomon*, 33 Cal. 38.

<sup>5</sup> 29 Car. II, c. 3, § 8. See *Galbraith v. Galbraith*, 190 Pa. 225. In *Hoxie v. Carr*, 1 Sum. 187, it was said by Judge Story that the exception of resulting trusts from the Statute of Frauds was merely in affirmance of the general law; and that, therefore, in Rhode Island, where the exception did not exist, the rule was the same as in England. This was followed in *McGuire v. Ramsey*, 4 Eng. (Ark.) 525.

Where, however, an agent buys land for his principal, and not only takes the conveyance in his own name, but also pays the price out of *his own funds*, no resulting trust will arise, and the case will fall within the Statute of Frauds, because in such a case there is no payment of the purchase-money upon which the right of the principal can rest, but that right is dependent solely upon the verbal promise of the agent.<sup>1</sup> Where no money is advanced, and there is nothing more in the transaction than is implied from the violation of a parol agreement, equity will not decree the purchaser a trustee.<sup>2</sup> A resulting trust of this kind must arise, if at all, from the payment of the purchase-money, at the time of the conveyance.<sup>3</sup> If an express agreement is relied upon, it necessarily excludes the idea of any trust arising purely by implication of law. Such a trust will, therefore, be an express trust, and will fall directly within the Statute of Frauds.<sup>4</sup> But where funds are furnished to the agent, the mere

<sup>1</sup> *Bartlett v. Pickersgill*, 1 Eden, 515; 1 Cox, 15; *James v. Smith* [1891], 1 Ch. 384; *Dorsey v. Clarke*, 4 Har. & J. 557; *Jackman v. Ringland*, 4 W. & S. 149; *Fox v. Heffner*, 1 Id. 372; *Sample v. Coulson*, 9 Id. 62; *Robertson v. Robertson*, 9 Watts, 42; *Lloyd v. Lynch*, 28 Pa. 419; *O'Hara v. Dilworth*, 72 Id. 403; *Dougan v. Bemis*, 95 Minn. 220; *Schrager v. Cool*, 221 Pa. 622; *Hill on Trustees*, 96; *Perry on Trusts*, § 135; *Sug. V. & P.* 703. See also *Taliaferro v. Taliaferro*, 6 Ala. 404; *Irwin v. Ivers*, 7 Ind. 308; *Minot v. Mitchell*, 30 Id. 228; *Kisler v. Kisler*, 2 Watts, 323; *Skillman v. Skillman*, 2 McCart. 478; *Homer v. Homer*, 107 Mass. 82. In *Heard v. Pilley*, L. R. 4 Ch. 548, some doubts are expressed as to the correctness of the decision in *Bartlett v. Pickersgill*, but see *James v. Smith* [1891], 1 Ch. 384. In *Follansbe v. Kilbreth*, 17 Ill. 522; *Morris v. Reigel*, 19 S. D. 26; *Hidden v. Jordan*, 21 Cal. 92, and *Chastain v. Smith*, 30 Ga. 96; *Johnson v. Hayward*, 74 Neb. 157, it was held that the trust could be enforced. See *Bryan v. McNaughton*, 38 Kan. 98; *Vallette v.*

*Tedens*, 122 Ill. 607; and *Camden v. Dewing*, 47 W. Va. 310.

<sup>2</sup> *Green v. Drummond*, 31 Md. 71; *Dollar Savings Bank v. Bennett*, 76 Pa. 402; *McCloskey v. McCloskey*, 205 Pa. 491; *Walker v. Brungard*, 13 Sm. & Marsh. 725, 765; *Hackney v. Butts*, 41 Ark. 393; *Acker v. Priest*, 92 Iowa, 610; *Furber v. Page*, 143 Ill. 622; *Jacksonville Nat. Bank v. Beesley*, 159 Id. 120; *Woods v. Ward*, 48 W. Va. 652; *Lyons v. Bass*, 108 Ga. 573; *Whiting v. Dyer*, 21 R. I. 278; *Oden v. Lockwood*, 136 Ala. 514; *Markham v. Katzenstein*, 209 Ill. 607; *Willis v. Robertson*, 121 Ia. 380; *Bryan v. Douds*, 213 Pa. 221; *Norton v. Brink*, 75 Neb. 575.

<sup>3</sup> See *Gerry v. Stimson*, 60 Me. 189, and *Roberts v. Ware*, 40 Cal. 637; *Fessenden v. Taft*, 65 N. H. 39; *Sisemore v. Pelton*, 17 Or. 546; *Beecher v. Wilson & Co.*, 84 Va. 813; *Lazarus v. Lazarus*, 12 Hawaii, 369; *Marie M. E. Church v. Trinity M. E. Church*, 205 Ill. 601.

<sup>4</sup> *Lead. Cas. Eq.* 216 (4th Eng. ed.); *Gibson v. Foote*, 40 Miss. 792; *Sheldon v. Harding*, 44 Ill. 68; *Lowry v. McGee*, 3 Head, 274; *Snyder v. Wol-*

fact that they cannot be traced distinctly into the land will not prevent a trust from resulting.<sup>1</sup> It has, moreover, been recently decided that where there is *fraud* a trust may be insisted upon, although the funds may not be those of the party who asserts the trust.<sup>2</sup>

### 81. Requisites to such a trust.

The person in whose favor a trust is claimed to result must pay the purchase-money *as his own*; if he merely advances it as a loan, no trust will result.<sup>3</sup>

If the purchase-money is paid by several, and the title taken in the name of one, a trust will result to the others in proportion to the amount paid by each.<sup>4</sup> But to create a resulting trust in such a case, the payment must be of *some definite part* of the purchase-money.<sup>5</sup> In some cases it has been held that

ford, 33 Minn. 175; Farnham v. Clements, 51 Me. 426; though see Harrold v. Lane, 53 Pa. 268; Cohn v. Chapman, Phil. Eq. (N. C.) 92; Hall v. Congdon, 56 N. H. 279, and Bernard v. Bougard, Harring. Ch. 143; Brotherton v. Weathersby, 73 Tex. 471; Gaines v. Summers, 50 Ark. 322; Robbins v. Kimball, 55 Id. 414; Pruitt v. Pruitt, 57 S. C. 155; Nagen-gast v. Alz, 93 Md. 522.

<sup>1</sup> See Frank's Appeal, 59 Pa. 194; Sanfoss v. Jones, 35 Cal. 422; Malloy v. Malloy, 5 Bush, 465.

<sup>2</sup> Rochefoucauld v. Boustead, [1897], 1 Ch. 206, where Bartlett v. Pickersgill is, on that point, overruled. See, also, Kennedy v. McCloskey, 170 Pa. 354.

<sup>3</sup> Bartlett v. Pickersgill (*supra*); Aveling v. Knipe, 19 Ves. 445; Wheeler v. Kirtland, 23 N. J. Eq. 22; Milliken v. Ham, 36 Ind. 166; Six v. Shaner, 26 Md. 444; Gibson v. Foote, 40 Miss. 788; Torrey v. Cameron, 73 Tex. 583; Beecher v. Wilson & Co., 84 Va. 813; Hodges v. Verner, 100 Ala. 612. When a purchase is made on the credit of two, and the money is paid by one only, there will be no resulting trust. Brooks v.

Fowle, 14 N. H. 248; Walsh v. McBride, 72 Md. 45; Johnston v. Coney, 120 Ga. 776.

<sup>4</sup> Botsford v. Burr, 2 Johns. Ch. 410; Union Coll. v. Wheeler, 59 Barb. 585; Pierce v. Pierce, 7 B. Mon. 433; Honore v. Hutchings, 8 Bush, 693; Shoemaker v. Smith, 11 Hump. 81; Purdy v. Purdy, 3 Md. Ch. (Johns.) 547; Seaman v. Cook, 14 Ill. 501; Latham v. Henderson, 47 Id. 185; Smith v. Wright, 49 Ill. 403; Morey v. Her-rick, 18 Pa. 129; Case v. Codding, 38 Cal. 193; Faylor v. Faylor, 136 Cal. 92; Heiskell v. Trout, 31 W. Va. 810; Crowley v. Crowley, 72 N. H. 241; See, also, Anthe v. Heide, 85 Ala. 236; Kelly v. Kelly, 126 Ill. 550; Puckett v. Benjamin, 21 Or. 370; Hughes v. White, 117 Ind. 470; Warren v. Tynan, 54 N. J. Eq. 402; Sanders v. Steele *et al.*, 124 Ala. 415; Winslow v. Young, 94 Me. 145; Bible v. Marshall, 103 Tenn. 324; Miller v. Miller, 99 Va. 125; Hardware Co. v. Horn, 146 Mo. 129. Though a contrary doctrine seems to have been held in Bernard v. Bougard, Harring. Ch. 143, and Coppage v. Barnett, 34 Miss. 621.

<sup>5</sup> Baker v. Vining, 30 Me. 127; Dud-

where there is no evidence as to the amount advanced by each party, the presumption will arise that they have furnished the purchase-money in equal proportions.<sup>1</sup> In England the presumption seems to be that when money is advanced in equal proportions, a joint tenancy is supposed to have been contemplated with equal chance of survivorship to all; but as survivorship has been removed as an incident to joint tenancy in most of the states of the Union such a presumption would not probably arise in America.<sup>2</sup>

It is said in Sugden on Vendors, that where two agree to buy land, and the title is taken in the name of both, but one pays the whole consideration, no trust will result in his favor, but he will only have a right of contribution.<sup>3</sup>

It is not necessary that the consideration which moves from the *cestui que trust* should be *money*; it may consist of anything of value; and a trust will be decreed in favor of him who is the source of the consideration, whether it be lands, goods, money, securities, or credit.<sup>4</sup>

## 82. Statute of Frauds.

The language of the Statute of Frauds upon the subject of resulting trusts is that, "where any conveyance shall be made of any lands or tenements, by which a trust or confidence shall or may arise or result by implication or construction of law, or be transferred or extinguished by act or operation of law, then and in every such case, such trust or confidence shall be of the like force and effect as the same would have been if the statute had

ley v. Bachelder, 53 Id. 408; McGowan v. McGowan, 14 Gray, 119; Wheeler v. Kirtland, 23 N. J. Eq. 22; Sayre v. Townsends, 15 Wend. 647; Reynolds v. Morris, 17 Ohio St. 510; O'Donnell v. White, 18 R. I. 659; Lazarus v. Lazarus, 12 Hawaii, 369; Culp v. Price, 107 Iowa, 133; Marie M. E. Church v. Trinity M. E. Church, 205 Ill. 134; Onasch v. Zinkel, 213 Ill. 119; Skehill v. Abbott, 184 Mass. 145; Pickens v. Wood, 57 W. Va. 480.

<sup>1</sup> Shoemaker v. Smith, 11 Humph. 81; Edwards v. Edwards, 39 Pa. 386.

<sup>2</sup> Hill on Trustees, 93; Adams, Eq. 34. In Crawford v. Jones, 163 Mo.

577, it was held that instead of a decree that a resulting trust will arise in proportion to the amount paid, the chancellor may decree a lien on the whole for the amount.

<sup>3</sup> Sugden V. and P. 700 (8th Am. ed.). But see Ward v. Ward, 59 Conn. 188.

<sup>4</sup> Blodgett v. Hildreth, 103 Mass. 484; Clark v. Clark, 43 Vt. 685; Blauvelt v. Ackerman, 20 N. J. Eq. 141; Peabody v. Tarbell, 2 Cush. 226; 1 Lead. Cas. Eq. 334 (4th Am. ed.). See Sullivan v. Sullivan, 86 Tenn. 376. "A bond or mortgage may be given for the deed." Casciola v. Donatelli, 218 Pa. 624.

not been made.”<sup>1</sup> It will be observed that the statute speaks of “any conveyance . . . by which a trust shall arise.” It has, accordingly, been held that a resulting trust cannot arise unless some transmission of title has taken place. Thus in a Minnesota case, where the statute abolishing resulting trusts, nevertheless preserves them in favor of the existing creditors of the person paying the consideration, it was held that no trust would result where there has been no actual conveyance by the person from whom the debtor has purchased.<sup>2</sup>

It is also essential to a resulting trust that the money should be paid at the time of the purchase; a subsequent payment cannot raise a trust.<sup>3</sup> This principle, however, is not applicable to resulting trusts of the second kind, *i. e.*, where a trustee buys property in his own name, but with trust funds.<sup>4</sup>

Resulting trusts will not arise against the positive provisions of a statute, or in contravention of public policy. Thus, it has been decided under the English registration acts, that the doctrine is not applicable to the case of a vessel purchased and paid for by one man, but registered in the name of another.<sup>5</sup> And so, too, a resulting trust cannot be enforced by an alien in

<sup>1</sup> Stat. 29 Car. II., c. 3, § 8.

<sup>2</sup> *Durfee v. Pavitt*, 14 Minn. 430. See, also, *Jackson v. Morse*, 16 Johns. R. 197; *Green v. Drummond*, 31 Md. 81.

<sup>3</sup> *Foster v. The Trustees*, 3 Ala. 302; *Long v. King*, 117 Id. 423; *Mahorner v. Harrison*, 13 Sm. & Marsh. 53; *Barnard v. Jewett*, 97 Mass. 87; *Cutler v. Tuttle*, 19 N. J. Eq. 549; *Tunard v. Littell*, 23 Id. 267; *Capers v. McCaa*, 41 Miss. 488; *Frederick v. Haas*, 5 Nev. 389; *Botsford v. Burr*, 2 Johns. Ch. 408; *Nixon's Appeal* 63 Pa. 282; *Purdy v. Purdy*, 3 Md. Ch. 547; *Latham v. Henderson*, 47 Ill. 185; *Rogers v. Murray*, 3 Paige, 390; *Perry on Trusts*, § 133; *Smith v. Turley*, 32 W. Va. 14; *First National Bank v. Campbell*, 2 Colo. App. 271. “A resulting trust must arise at the instant the deed is taken and the title is vested in the grantee; and the situation when it passes is to be looked to, and not the situation

preceding or following that time” (quoting McGill, Chan.). *Whitley v. Ogle*, 47 N. J. Eq. 67. And see *Thum v. Wolstenholme*, 21 Utah, 446. But if payment is assumed at time of purchase, and is subsequently made in pursuance of such contemporaneous assumption, a resulting trust will arise. *Williams v. Wager*, 64 Vt. 326. See, also, *Seiler v. Mohn*, 37 W. Va. 507. A resulting trust in land can only be declared when the legal title has passed to the party against whom the trust is sought to be declared, but an equitable title to land which upon payment of a balance due on the purchase price will ripen into a legal title is property, a resulting trust in which may be declared and enforced by a court of equity. *Lynch v. Herrig*, 32 Mont. 267.

<sup>4</sup> *Haney v. Legg*, 129 Ala. 619.

<sup>5</sup> *Hill on Trustees*, 93, 94. See *Hoar v. Hoar*, 48 Hun, 314.



opposition to statutes forbidding or circumscribing his right to hold property.<sup>1</sup>

And if the title to property is taken in the name of a third party for the purpose of defrauding the creditor of the party who pays the purchase-money, equity will not assist him in enforcing a resulting trust, for to do so would be to aid a fraud.<sup>2</sup>

The interest of the real purchaser, however, will be subject to the claims of his creditors.<sup>3</sup>

### 83. Parol evidence admissible.

It must be remembered that the trusts now under consideration rest upon *presumption* merely, and that this presumption is not one *juris et de jure*, but of fact merely, and open to rebuttal. All the facts and circumstances attendant upon the transaction may be proved for the purpose of showing what the intention of the parties really was;<sup>4</sup> as that the nominal purchaser was the real beneficiary, that the pretended owner was of such mean circumstances as to make it impossible for him to have been the purchaser,<sup>5</sup> that the purchase-money was advanced by the party paying it as a loan to the party in whose name the legal title was taken, and not for the purpose of acquiring the ownership himself, and the like. Hence, it is well settled that parol evidence is admissible both to create and to rebut the presumption of a resulting trust.<sup>6</sup> Parol evidence is

<sup>1</sup> Leggett v. Dubois, 5 Paige, 114; Hubbard v. Goodwin, 3 Leigh, 492; Perry on Trusts, § 131; Sugden v. and P. 701; Zundell v. Gess, 73 Tex. 144.

<sup>2</sup> Ford v. Lewis, 10 B. Mon. 127; Proseus v. McIntyre, 5 Barb. 425; Baldwin v. Campfield, 4 Hals. Ch. 891; Sell v. West, 125 Mo. 621; Hardware Co. v. Horn, 146 Id. 129.

<sup>3</sup> Guthrie v. Gardner, 19 Wend. 414; Kimmel v. McRight, 2 Pa. 38; Hill on Trustees, 164 (4th Am. ed.); Kline v. McDonnell, 62 Hun, 177.

<sup>4</sup> Byers v. Danley, 2 Ark. 88; Zimmerman v. Barber, 176 Pa. 1; Harris v. Elliott, 45 W. Va. 245; Lutz v. Matthews, 37 Pa. Sup. 354.

<sup>5</sup> Willis v. Willis, 2 Atk. 71; Sugd. V. and P. 702 (8th Am. ed.); Farrell

v. Lloyd, 69 Pa. 247; Bush v. Stanley, 122 Ill. 406; though see Balbec v. Donaldson, 2 Gr. Cas. 459; Kline v. Ragland, 47 Ark. 111; Salisbury v. Clarke, 61 Vt. 453.

<sup>6</sup> Boyd v. McLean, 1 Johns. Ch. 582; Kendall v. Mann, 11 Allen, 15; Blodgett v. Hildreth, 103 Mass. 487; Cooley v. Cooley, 172 Id. 476; DePeyster v. Gould, 3 N. J. Eq. 480; Swinburne v. Swinburne, 28 N. Y. 568; Jackman v. Ringland, 4 W. & S. 149; Myers v. Myers, 25 Pa. 100; Livermore v. Aldrich, 5 Cush. 431; Hollis v. Hayes, 1 Md. Ch. 479; Dryden v. Hanway, 31 Md. 254; Bank of United States v. Carrington, 7 Leigh, 566; McGuire v. McGowen, 4 Dess. 486; Linnel v. Hudson, 59 S. C. 283; Letcher v. Letcher, 4 J. J.

admissible to establish a trust in contradiction of the terms of a deed;<sup>1</sup> and even (it is now held) after the death of the nominal purchaser.<sup>2</sup>

Parol evidence is also admissible against the answer of the nominal purchaser, although the testimony to establish a trust in such a case must be very strong.<sup>3</sup>

To establish a trust by parol, the evidence must be full, clear, and convincing;<sup>4</sup> though the application of this rule will, of course, be modified by circumstances.<sup>5</sup>

Where the purchase-money is paid by one man, and the title taken in the name of another for fraudulent purposes, *e. g.*, in

Marsh. 593; *Faris v. Dunn*, 7 Bush, 276; *Creed v. Lancaster Bank*, 1 Ohio St. 1; *Lewis v. White*, 16 Id. 444; *Elliott v. Armstrong*, 2 Blackf. 198; *Sandford v. Weeden*, 2 Heisk. 71. See *Shelby v. Tardy*, 84 Ala. 327; *Hudson v. White*, 17 R. I. 519; *Booth v. Lenox*, 45 Fla. 191.

<sup>1</sup> *Buck v. Pike*, 2 Fairfield, 9; *Page v. Page*, 8 N. H. 187; *Pinney v. Fellows*, 15 Vt. 525; *Peabody v. Tarbell*, 2 Cush. 232; note to *Dyer v. Dyer*, 1 Lead. Cas. Eq. \*213; *Neyland v. Bundy*, 69 Tex. 711.

<sup>2</sup> *Boyd v. McLean*, 1 Johns. Ch. 582; *McCammon v. Pettitt*, 3 Sneed, 242; *Fausler v. Jones*, 7 Ind. 277; *Williams v. Hollingsworth*, 1 Strob. Eq. 103; *Perry on Trusts*, § 138.

<sup>3</sup> *Boyd v. McLean*, 1 Johns. Ch. 582; *Page v. Page*, 8 N. H. 187; *Moore v. Moore*, 38 Id. 382; *Elliott v. Armstrong*, 2 Blackf. 199; *Jenison v. Graves*, 2 Id. 441; *Blair v. Bass*, 4 Id. 540; *Snelling v. Utterback*, 1 Bibb, 699; *Larkins v. Rhodes*, 5 Porter, 196; *Enos v. Hunter*, 4 Gilman, 211; *Smith v. Sackett*, 5 Id. 544; *Hill on Trustees* (4th ed.), 133.

<sup>4</sup> *Baker v. Vining*, 30 Me. 127; *Boyd v. McLean*, 1 Johns. Ch. 582; *Lloyd v. Lynch*, 28 Pa. 419; *Bennett v. Fulmer*, 49 Id. 155; *Farrell v. Lloyd*, 69 Id. 247; *Beringer v. Lutz*, 179 Id. 1; *Olinger v. Shulta*, 183 Id. 469; *Bowen*

*v. Haupt*, 192 Id. 406; *Fidelity, etc., Co. v. Moore*, 194 Id. 617; *Haupt v. Unger*, 222 Pa. 439; *Faringer v. Ramsay*, 2 Md. 365; *Jenison v. Graves*, 2 Blackf. 440; *Holder v. Nunnally*, 2 Cold. 288; *White v. Sheldon*, 4 Nev. 280; *Frederick v. Haas*, 5 Id. 389; *Woodside v. Hewel*, 109 Cal. 481; *Greer v. Baughman*, 13 Md. 257; *Phelps v. Seely*, 22 Gratt. 589; *Kendall v. Mann*, 11 Allen, 15; *Olive v. Dougherty*, 3 Greene (Ia.), 371; *Miller v. Stokely*, 5 Ohio St. 194; *Tunnard v. Littell*, 23 N. J. Eq. 267; *Parmlee v. Sloan*, 37 Ind. 482; *Lofton v. Sterrett*, 23 Fla. 565; *Smith v. Turley*, 32 W. Va. 14; *Wacker v. Wacker*, 147 Mo. 246; *Oregon Lumber Co. v. Jones*, 36 Oreg. 80; *Rice v. Rigby*, 7 Idaho, 115; *McMurray v. McMurray*, 180 Mo. 526; *Reed v. Sperry*, 193 Mo. 167; *Doane v. Dunham*, 64 Neb. 135; *Carter v. Carter*, 14 N. D. 66; *Tillar v. Henry*, 75 Ark. 446; *Johns v. Carroll*, 107 Md. 437. Equity requires that parol evidence to ingraft an express trust in lands upon a deed absolute shall clearly and convincingly show that contemporaneously with the execution of the deed the terms of the trust were declared and the beneficiaries designated. *Boughman v. Boughman*, 69 Ohio St. 273.

<sup>5</sup> *Snell v. Elan*, 2 Heisk. 82.

order to defeat or delay creditors, equity (as already stated) will not assist the perpetrator of the fraud, and consequently will decline to enforce the trust which would otherwise result, were the transaction a *bona fide* one, for his benefit.<sup>1</sup> This is only the application of the maxim that he who comes into equity must do so with clean hands; as will be found more fully explained hereafter under the head of Frauds.<sup>2</sup>

#### 84. Advancements.

An exception to the general doctrine of resulting trusts occurs in the case of advancements.

Advancement is a term which has, in law, several meanings. Its signification in the present connection is a gift from a parent to a child, which is supposed to be intended when the purchase-money is paid by the parent, and the conveyance is taken in the name of the child. The ordinary presumption of a resulting trust, already described, is in such a case rebutted by the supposed intention to benefit the child; and instead of the latter holding as trustee for the parent, he will be construed to take beneficially by advancement.<sup>3</sup> *Dyer v. Dyer*, already cited,<sup>4</sup> is an authority upon this particular branch of the law of resulting trusts. In that case copyhold premises were granted to Simon Dyer, and Mary his wife, and his son William, to take in succession for their lives, and to the longest liver of them, the purchase-money having been paid by the father. The wife died, and then the father, leaving surviving him William and another son, to whom he had devised the copyhold estate. Upon a bill filed by this younger son against his brother William, it was held that the latter could not be treated as a trustee of the legal title for the benefit of the father's devisee, but that he took beneficially by way of advancement; and the bill was dismissed.

The doctrine of advancement is firmly established in the

<sup>1</sup> *Baldwin v. Campfield*, 4 Halst. Ch. 891; *Vanzant v. Davies*, 6 Ohio St. 52; *Murphy v. Hubert*, 16 Pa. 50; *Brantley v. West*, 27 Ala. 542. See, also, *Leggett v. Dubois*, 5 Paige, 114; *Philips v. Crammond*, 2 Wash. C. C. 441; *Alsworth v. Cordtz*, 31 Miss. 32.

<sup>2</sup> *Post*, § 208, and authorities cited.

<sup>3</sup> As the general doctrine of resulting trusts is analogous to the com-

mon-law rule that where there is a feoffment without consideration the use results to the feoffor, so the exception as to advancements, now under consideration, is in accordance with the legal principle that where there is a feoffment from a father to a son, the consideration of blood would settle the use on the son. *Grey v. Grey*, 2 Swans. 598.

<sup>4</sup> *Ante*, p. 135, n. 2.

United States as well as in England; and the general rule may be stated to be that a purchase in the name of a child will be regarded *prima facie* as an advancement, and not as a resulting trust for the father.<sup>1</sup> The rule applies to other relations than those of father and child. A purchase by any one in the name of another to whom the purchaser stands in *loco parentis* will be treated as an advancement. Thus the rule has been held to apply to grandfather and grandchild;<sup>2</sup> to mother and daughter or son;<sup>3</sup> to husband and wife;<sup>4</sup> to a purchase in the name of a son-in-law;<sup>5</sup> and, in short, to a purchase in the name of any one to whom the party paying the consideration-money stands in *loco parentis*.<sup>6</sup> A purchase in the name of a brother will not be considered as an advancement,<sup>7</sup> unless the purchaser stands in *loco parentis* towards his brother.<sup>8</sup> And where land is purchased with the money of a wife and title taken in the name of the

<sup>1</sup> *Page v. Page*, 8 N. H. 187; *Dennison v. Goehring*, 7 Pa. 180, note; *Wheeler v. Kidder*, 105 Id. 273; *Kern v. Howell*, 180 Id. 315; *Taylor v. James*, 4 Dess. 1; *Douglass v. Brice*, 4 Rich. Eq. 322; *Astreen v. Flanagan*, 3 Edw. Ch. 279; *Partridge v. Havens*, 10 Paige Ch. 618; *Welton v. Divine*, 20 Barb. 9; *Doyle v. Sleeper*, 1 Dana, 536; *Taylor v. Taylor*, 4 Gilman. 303; *Cartwright v. Wise*, 14 Ill. 417; *Shepherd v. White*, 10 Tex. 721; *Alexander v. Warram*, 17 Mo. 236; *Baker v. Leathers*, 3 Ind. 558; *Culp v. Price*, 107 Iowa, 133; *Long v. King*, 117 Ala. 423; *Hallenback v. Rogers*, 57 N. J. Eq. 199; *Spitler v. Kaeding*, 133 Cal. 500; *Goodwin v. Parnell*, 69 Ark. 629; *Perry on Trusts*, §§ 143 *et seq.*; *Hill on Trustees*, 97 *et seq.*; *Hoon v. Hoon*, 126 Ia. 391.

<sup>2</sup> *Ebrand v. Dancer*, 1 Coll. Ch. 265 n.

<sup>3</sup> *Murphy v. Nathans*, 46 Pa. 508; *Evans v. Curtis*, 190 Ill. 197; *Sayre v. Hughes*, L. R. 5 Eq. 376; though see *In re de Visme*, 2 De G. J., & Sm. 17; *Bennet v. Bennet*, L. R. 10 Ch. D. 474 (*per Sir G. Jessel*); *Cooley v. Cooley*, 172 Mass. 476.

<sup>4</sup> *Guthrie v. Gardner*, 19 Wend. 414; *Whitten v. Whitten*, 3 Cush. 194; *Viers v. Viers*, 175 Mo. 444; *Kline v. Ragland*, 47 Ark. 111; *Whitley v. Ogle*, 47 N. J. Eq. 67; *Johnson v. Johnson*, 96 Md. 144; *Fatheres v. Fletcher*, 31 Miss. 265; *Cotton v. Woods*, 25 Ia. 43; *Kline's Appeal*, 39 Pa. 463; *Light v. Zeller*, 144 Id. 582; *Davis v. Davis*, 18 Col. 66; *Long v. McKay*, 84 Me. 199; *Deck v. Tabler*, 41 W. Va. 332; *Curd v. Brown*, 148 Mo. 82; *Woodward v. Woodward*, 148 Id. 241; *Hamilton v. Hubbard*, 134 Cal. 603; *Crumrine v. Crumrine*, 50 W. Va. 226; *Rowe v. Johnson*, 33 Col. 469; *Van Etten v. Bank*, 79 Neb. 632; *Deuter v. Deuter*, 214 Ill. 308.

<sup>5</sup> *Baker v. Leathers*, 3 Ind. 558; see *Batstone v. Salter*, L. R. 10 Ch. 431; *Richardson v. Seevers*, 84 Va. 259.

<sup>6</sup> See *Jackson v. Feller*, 2 Wend. 465; *Roberts's Appeal*, 85 Pa. 84; *Harris v. Elliott*, 45 W. Va. 245.

<sup>7</sup> *Edwards v. Edwards*, 39 Pa. 377.

<sup>8</sup> *Forrest v. Forrest*, 34 L. J. Ch. 428.

husband, there will be no presumption of a gift to the husband. A resulting trust in favor of the wife will be implied.<sup>1</sup>

It seems to be doubtful whether a purchase in the name of an illegitimate child is to be treated as an advancement; although the weight of authority is in favor of so treating it.<sup>2</sup>

Where the money is advanced by a son and the title taken in the name of the father, the presumption will be in favor of a resulting trust, and not an advancement,<sup>3</sup> and where land was conveyed to a husband, the father of the wife paying the purchase-money and declaring it to be the advancement, it was held that a trust resulted in favor of the wife.<sup>4</sup>

Whether a purchase made by a father in the *joint* names of himself and son will be considered as an advancement has been a doubtful question; but the more recent authorities are in favor of considering it an advancement.<sup>5</sup>

The presumption of advancement being, as Chief Justice Eyre said in *Dyer v. Dyer*, a mere circumstance of evidence, may be rebutted by other evidence or other presumptions tending to show an intention that the child was to hold as a trustee.<sup>6</sup> Thus the relation of solicitor and client has been held to prevent the presumption of an advancement which would otherwise have arisen,<sup>7</sup> and where the deed is taken in the name of a wife for the

<sup>1</sup> *Kline v. Ragland*, 47 Ark. 115; *Cunningham v. Bell*, 83 N. C. 328; *Thomas v. Standiford*, 49 Md. 181; *Loften v. Witboard*, 92 Ill. 461; *Moss v. Moss*, 95 Id. 449; *Catherwood v. Watson*, 65 Ind. 576; *Berry v. Wiedman*, 40 W. Va. 36; *Carter v. Becker*, 69 Kan. 524. And see *Corr's Appeal*, 62 Conn. 403, where a trust was enforced against the estate of the wife in favor of the husband.

<sup>2</sup> *Beckford v. Beckford*, *Lofft's Reps.* 490; *Soar v. Foster*, 4 K. & J. 152; *Tucker v. Burrow*, 2 Hem. & M. 515; *Elrod v. Cochran*, 59 S. C. 467.

<sup>3</sup> *Howell v. Howell*, 2 McCart. 75; *Champlin v. Champlin*, 136 Ill. 309.

<sup>4</sup> *Peiffer v. Lytle*, 58 Pa. 386; but see *Richardson v. Seever*, 84 Va. 259, and *Wacker v. Wacker*, 147 Mo. 246, where the evidence was held insuffi-

cient to establish a resulting trust for the daughter.

<sup>5</sup> *Grey v. Grey*, 2 Swanst. 599; *Williams v. Williams*, 32 Beav. 370; *Sugd. V. and P.* 704 (8th Am. ed.).

<sup>6</sup> *Shepherd v. White*, 10 Tex. 72; *Proseus v. McIntyre*, 5 Barb. 425; *Butler v. Insurance Co.*, 14 Ala. 777; *Cotton v. Woods*, 25 Ia. 43; *Hodgson v. Macy*, 8 Ind. 121; *McClintock v. Loisseau*, 31 W. Va. 865; *Bruce v. Slemp*, 82 Va. 352; *Cooley v. Cooley*, 172 Mass. 476; *Bickford v. Est. of Bickford*, 68 Vt. 525; *Culp v. Price*, 107 Ia. 133; *Brennaman v. Schell*, 212 Ill. 356; *Lahey v. Broderick*, 72 N. H. 180.

<sup>7</sup> *Garrett v. Wilkinson*, 2 De G. & Sm. 244. See, also, *Wallace v. Bowens*, 28 Vt. 638; *Dudley v. Bosworth*, 10 Humph. 12; *Jackson v. Matsdorf*, 11 John. 91; *Taylor v. Taylor*, 4

purpose of defrauding the husband's creditors, a trust will result to the husband so as to make the property liable to his debts.<sup>1</sup>

### 85. Trusts of this kind abolished in certain states.

It remains to be noticed that resulting trusts of the kind now under discussion have been abolished in certain states of the Union by statute. Such is the case in New York,<sup>2</sup> Michigan,<sup>3</sup> and Wisconsin.<sup>4</sup> So, also, in Massachusetts, Maine, Indiana, Kentucky, Kansas, and Minnesota.<sup>5</sup> But an exception is made in cases where the title is taken in the name of the nominal purchaser without the knowledge of the real purchaser.<sup>6</sup>

### 86. Purchases by Trustees with Trust Funds: Following Trust Funds.

The second class of resulting trusts is where a trustee or other fiduciary purchases property with trust funds and takes the title in his own name. In such a case a trust will result by operation of law for the benefit of the trust estate, as the trustee will be presumed to have intended that the purchase should enure to the benefit of the estate. Trust funds may in this way be followed into any property into which they have been invested or converted by the trustee; and this is constantly done by the courts for the benefit and redress of injured *cestuis que trustent*.<sup>7</sup>

The rule above stated applies to purchases by a trustee,<sup>8</sup> by a

Gilm. 303. See, in this connection, *In re Whitehouse*, 37 Ch. D. 685, where a father became, jointly with his son, the maker of certain promissory notes given in part payment of real estate conveyed to the son, and where it was held that the notes unpaid at the date of the father's death were not to be treated as an advancement.

<sup>1</sup> *Belford v. Crane*, 16 N. J. Eq. 265; *post*, Part II., Chap. II.

<sup>2</sup> *Schierloh v. Schierloh*, 148 N. Y. 103.

<sup>3</sup> *Wipfler v. Wipfler*, 153 Mich. 18.

<sup>4</sup> *Bosworth v. Hopkins*, 85 Wis. 50.

<sup>5</sup> See *Glidewell v. Spaugh*, 26 Ind. 319; *Toney v. Wondling*, 138 Ind. 228; *Ruth v. Oberbrunner*, 40 Wis.

280; *Durfee v. Pavitt*, 14 Minn. 424; *Martin v. Martin*, 5 Bush, 47; *Collar v. Collar*, 86 Mich. 507.

<sup>6</sup> *McCreary v. McCreary*, 90 Mich. 478; *Woers v. Rademacher*, 120 N. Y. 62.

<sup>7</sup> *Perry on Trusts*, § 127; *Atkinson v. Ward*, 47 Ark. 533; *Third Nat. Bank of St. Paul v. Stillw. Gas Co.*, 36 Minn. 75; *Maher v. Aldrich*, 205 Ill. 242; *Heints v. Dennis*, 216 Ill. 487.

<sup>8</sup> *Oliver v. Piatt*, 3 How. 401; *Harrisburg Bank v. Tyler*, 3 W. & S. 373; *Martin v. Greer*, 1 Geo. Dec. 118; *Moffit v. McDonald*, 11 Humph. 457; *Day v. Roth*, 18 N. Y. 448; *Lathrop v. Gilbert*, 10 N. J. Eq. 345; *Pugh v. Pugh*, 9 Ind. 132.

partner,<sup>1</sup> an agent appointed to buy,<sup>2</sup> or trustees of a corporation,<sup>3</sup> or an executor or administrator,<sup>4</sup> or a committee of a lunatic,<sup>5</sup> or a guardian,<sup>6</sup> or a husband purchasing with avails of his wife's separate estate,<sup>7</sup> or a mortgager.<sup>8</sup> And the rule applies not only to purchases, but to deposits of money in a bank, to assignments, to transmissions to personal representatives, and to all cases in which the property of the beneficiaries can be traced in spite of any transmutation of form or change of possession.<sup>9</sup>

<sup>1</sup> *Philips v. Crammond*, 2 Wash. C. 441; *Piatt v. Oliver*, 2 McLean, 267; 3 How. 401; *Riddle v. Whitehill*, 135 U. S. 634; *King v. Hamilton*, 16 Ill. 190; *Coder v. Huling*, 27 Pa. 84; *Baldwin v. Johnson*, Saxt. 441; *Edgar v. Donnally*, 2 Munf. 387; *Pugh v. Currie*, 5 Ala. 446; *Crone v. Crone*, 180 Ill. 599.

<sup>2</sup> *Church v. Sterling*, 16 Conn. 388; *Eshleman v. Lewis*, 49 Pa. 415. See, also, *Hutchinson v. Hutchinson*, 4 Des. 77; *Follansbe v. Kilbreth*, 17 Ill. 522; *Chastain v. Smith*, 30 Ga. 96.

<sup>3</sup> *Methodist Church v. Wood*, 5 Hamm. 283; *Palmetto Lumber Co. v. Risley*, 25 S. C. 309.

<sup>4</sup> *Claussen v. La Franz*, 1 Clarke, 226; *McCrary v. Foster*, Id. 271; *Wallace v. Duffield*, 2 S. & R. 521; *Harper v. Archer*, 28 Miss. 212; *Phillips v. Overfield*, 100 Mo. 466; *Zunkel v. Colson*, 109 Iowa, 695.

<sup>5</sup> *Reid v. Fitch*, 11 Barb. 399.

<sup>6</sup> *Caplinger v. Stokes*, Meigs, 175; *Bancroft v. Consen*, 13 Allen, 50; *Johnson v. Dougherty*, 18 N. J. Eq. 406; *Durling v. Hammar*, 20 Id. 220; *Turner v. Petigrew*, 6 Humph. 438; *Shelton v. Lewis*, 27 Ark. 190; *Schlaeffer v. Corson*, 52 Barb. 510; *Alsbaugh v. Adams*, 80 Ga. 345; *Hughes v. White*, 117 Ind. 470; *First Nat. Bank v. Leech*, 207 Ill. 215.

<sup>7</sup> *Methodist Church v. Jaques*, 1 Johns. Ch. 450; 3 Id. 77; *Fillman v. Divers*, 31 Pa. 429; *Marsh v. Marsh*, 43 Ala. 677; *Click v. Click*, 1 Heisk.

607; *Sandford v. Weeden*, 2 Id. 71; *Miller v. Edwards*, 7 Bush, 394; *Resor v. Resor*, 9 Ind. 347; *Barron v. Barron*, 24 Vt. 375; *Pritchard v. Wallace*, 4 Sneed, 405; *Wallace v. McCullough*, 1 Rich. Eq. 426; *Dickinson v. Codwise*, 1 Sandf. (Ch.) 214; *Pinney v. Fellows*, 15 Vt. 524; *Lathrop v. Gilbert*, 10 N. J. Eq. 345; *Miller v. Slupsky*, 158 Mo. 643; *Bible v. Marshall*, 103 Tenn. 324.

<sup>8</sup> *McLarren v. Brewer*, 51 Me. 402.

<sup>9</sup> See *Farmers' and Mechanics' Bank v. King*, 57 Pa. 202; *Milligan's Appeal*, 82 Id. 389; *Moses v. Murgatroyd*, 1 Johns. Ch. 128; *Kirkpatrick v. McDonald*, 11 Pa. 387; *Philips v. Crammond*, 2 W. C. C. R. 441; *Pierce v. M'Keehan*, 3 W. & S. 280; *Third Nat. Bk. of St. Paul v. Stillwater Gas Co.*, 36 Minn. 75; *Taylor v. Plumer*, 3 M. & S. 562, 574; *Pennell v. Deffell*, 4 De G., M. & G. 389; *Hancock v. Smith*, 41 Ch. D. 456; *Story's Eq. §§ 1258-1359*; *Sheffer v. Montgomery*, 65 Pa. 328; *First National Bank v. Bache*, 71 Id. 213; *Moore v. Williams*, 62 Hun, 55; *Union Nat. Bank v. Goetz*, 138 Ill. 127; *Ennor v. Hodson*, 134 Id. 32; *Carley v. Graves*, 85 Mich. 483; *Farmers' and Traders' Bank v. Milling Co.*, 1 So. Dak. 388; *State v. State Bank*, 42 Neb. 896; *Cushman v. Goodwin*, 95 Me. 353; *Tierman's Ex'r v. Security B. & L. Ass'n*, 152 Mo. 135; *Teel v. Hilton*, 21 R. I. 227; *Hyland v. Roe*, 111 Wis. 361; *Lowe v. Jones*, 192

A resulting trust will also arise when a trustee mixes trust funds with his own, for it will then become the trustee's duty to establish how much of his own money went to the purchase, or the *cestui que trust* will take the whole. This is in accordance with the usual rule upon the subject of confusion of goods.<sup>1</sup> It has been doubted, however, whether the *cestui que trust* in such cases has anything more than a lien on the property to the extent of the money belonging to the trust estate;<sup>2</sup> but the general rule in America is in favor of a resulting trust.<sup>3</sup>

Whether, therefore, the property into which trust funds are sought to be traced has been wholly acquired, or whether it has been in part only bought by such funds, the rule is the same, and trust funds may be followed and the property stamped, wholly or partially, with the trust. The leading case upon the subject of following trust funds is, perhaps, Hallett's Estate already cited.<sup>4</sup> There Hallett, a solicitor, held for one Mrs. Cottrell some Russian bonds, the interest of which he collected. He improperly sold the bonds, and put the money into his gen-

Mass. 94; *City of Lincoln v. Morrison*, 64 Neb. 822; *Board of Trustees v. Postel*, 121 Ky. 67.

<sup>1</sup> See Hill on Trustees, 148 (4th Am. ed.), note; *Frith v. Cartland*, 34 L. J. Ch. 301; *Pennell v. Deffell*, 4 De G., M. & G. 372; *Ex parte Dale*, 11 Ch. Div. 772; *In re Hallett's Est.*, 13 Ch. Div. 696. See, also, *Comm. v. McAllister*, 28 Pa. 480; *McAllister v. Comm.*, 30 Id. 536; *School v. Kirwin*, 25 Ill. 73; *Kip v. Bank of N. Y.*, 10 Johns. 65; *People v. City Bank of Rochester*, 96 N. Y. 32; *Bohle v. Hasselbroch*, 64 N. J. Eq. 334; *Tufts v. Latshaw*, 172 Mo. 359; *Thompson's App.*, 22 Pa. 16; *McLarren v. Brewer*, 51 Me. 402; *Seaman v. Cook*, 14 Ill. 505; *Russell v. Jackson*, 10 Hare, 209; *Hudson v. Hawkins*, 79 Ga. 274; *Sherwood v. Cent. Mich. Savings Bank*, 103 Mich. 109; *Plano Manuf. Co. v. Auld*, 14 S. Dak. 512; *Hutchinson v. Bank*, 145 Ala. 196.

<sup>2</sup> Where a definite portion of the purchase-money is paid for by trust funds, there will be a lien to the ex-

tent of the trust funds used. *Humphreys v. Butler*, 51 Ark. 354; *Green v. Green*, 56 S. C. 193. See *Faulkner v. Hendy*, 103 Cal. 15; *Myers v. Board of Education*, 51 Kan. 87; *Myers v. Myers*, 47 W. Va. 487; *Thum v. Wolstenholme*, 21 Utah, 446; *Bank v. Bank*, 62 Kan. 788.

<sup>3</sup> *Wallace v. Duffield*, 2 S. & R. 530; *Wallace v. McCullough*, 1 Rich. Eq. 426; *Day v. Roth*, 18 N. Y. 456; *Holmes v. Gilman*, 138 Id. 369 (see, however, *Matter of Hicks*, 170 N. Y. 195); *Atkinson v. Ward*, 47 Ark. 540; *Hill on Trustees*, 148 (4th Am. ed.), note; *Humphreys v. Butler*, 51 Ark. 351; *Warner v. Morse*, 149 Mass. 400; *Zundell v. Gess*, 73 Tex. 144; *Shaffer v. Fetty*, 30 W. Va. 248; *Bitzer v. Bobo*, 39 Minn. 18. In England, see *contra*, *In re Pumfrey*, 22 Ch. D. 261. See, also, *In re Hallett's Est.* (*supra*); *Schwartz v. Gerhardt*, 44 Or. 425.

<sup>4</sup> 13 Ch. D. 696. See *In re Hallett & Co.*, *ex parte Blane* [1894], 2 Q. B. 237, where the fund could not be followed.



eral account at his bankers. The sum thus deposited was £2200. Subsequently, Hallett paid into his account at his bankers other moneys of his own, increasing his balance to £3000. He died. It was held that the proceeds of Mrs. Cottrell's bonds could be followed, and could be charged upon the £3000 which stood to Hallett's credit at his bankers at the date of his death. The language of Sir George Jessel, M. R., in this case, furnishes a striking statement of the principles upon which the decision is based. "Supposing," he says, "the trust money were 1000 sovereigns, and the trustee put them into a bag, and by mistake, or accident, or otherwise dropped a sovereign of his own into the bag, could anybody suppose that a judge in equity would find any difficulty in saying that the *cestui que trust* has a right to take 1000 sovereigns out of the bag?"

The doctrine of following trust funds is well recognized in America; and, indeed, it may be truthfully said that it has kept quite abreast, if not in advance of the English rule. The case of the Farmers' and Mechanics' Bank v. King<sup>1</sup> is particularly to be noted as a somewhat early recognition of the doctrine, as it was afterwards stated by Sir George Jessel in the language already quoted; and other and later examples of the same rule may be found in the decisions both of the federal and of state courts.<sup>2</sup> The case of the Union Stock Yards Bank v. Gillespie<sup>3</sup> not only illustrates the general rule, but the fact, also, that it extends to relations which savor of a fiduciary character, although they may not be those of trustee and *cestui que trust*; and the case of the American Sugar Refining Co. v. Fancher<sup>4</sup> is an example of the way in which the same rule has been applied in equity to relieve against actual fraud; while a late case in South Carolina may be cited as a further illustration of the application of Sir George Jessel's remarks.<sup>5</sup>

Of course, where the trust funds cannot, as a matter of fact, be traced, the equitable title of the *cestui que trust* fails.<sup>6</sup> The

<sup>1</sup> 57 Pa. 202.

<sup>2</sup> National Bank v. Ins. Co., 104 U. S. 54, where the subject is discussed by Mr. Justice Matthews.

<sup>3</sup> 137 U. S. 411; Comm. Bank of Pa. v. Armstrong, 148 U. S. 50; Columbian Bank's Estate, 147 Pa. 422. For cases in state courts, see note 9, p. 147, and note 3, p. 148, *ante*. See,

also, Englar v. Offutt, 70 Md. 78; Continental Nat. Bank v. Weems, 69 Tex. 489; Woodhouse v. Crandall, 197 Ill. 104.

<sup>4</sup> 145 N. Y. 552. See also Corn Ex. Nat. Bk. v. Solicitors' Tr. Co., 188 Pa. 330.

<sup>5</sup> Wulbern v. Timmons, 55 S. C. 456.

<sup>6</sup> Little v. Chadwick, 151 Mass.

trust funds, to be followed, must be traced to some particular property or some particular fund or account, for if they are mingled with general assets, indiscriminately and with nothing to identify them, they cannot be followed.<sup>1</sup>

Resulting trusts of the second class may be proved by parol.<sup>2</sup>

### 87. Conveyance where trust is not declared or fails.

The third of the classes into which resulting trusts have been divided embraces those cases in which there is a disposition of property upon trust, but no trust is declared, or is only partially declared, or wholly or partially fails. "There is no equitable principle more firmly established than that where a voluntary disposition of property by deed or will is made to a person as trustee, and the trust is not declared at all, or is ineffectually declared, or does not extend to the whole interest given to the trustee, or it fails either wholly or in part by lapse or otherwise, the interest so undisposed of will be held by the trustee, not for his own benefit, but as a resulting trust for the donor himself, or for his heir-at-law or next of kin, according to the nature of the estate."<sup>3</sup>

The rule above stated applies, it will be observed, to voluntary dispositions, and not to those based upon a valuable consideration,<sup>4</sup> and it is called into operation in the case of wills more frequently than in deeds. The presumption of a resulting trust is, indeed, stronger in a case of a disposition of property by conveyance *inter vivos*, than in a testamentary disposition,

110; *Nonotuck Silk Co. v. Flanders*, 87 Wis. 237, overruling *McLeod v. Evans*, 66 Wis. 401, 409; *Bradley v. Chesebrough*, 111 Iowa, 126; *Twohy Mercantile Co. v. Melbye*, 83 Minn. 394; *Morrison v. Lincoln Savings Bank*, 57 Neb. 225; *Bishop v. Mahoney*, 70 Minn. 238; *Ellicott v. Kuhl*, 60 N. J. Eq. 333; *Bircher v. Walther*, 163 Mo. 461; *White v. Commercial and Farmers' Bank*, 60 S. C. 122. In *Bank Commissioners v. Security Trust Co.*, 70 N. H. 536, *Little v. Chadwick* was followed and *McLeod v. Evans* disapproved. See *Blake v. State Savings Bank*, 12 Wash. 619; *Slater v. Oriental Mills*, 18 R. I. 352; *Ferchan v. Aradt*, 26 Oreg. 121; *Far-*

*well v. Kloman*, 45 Neb. 424; *Cecil Nat. Bank v. Thurber*, 8 U. S. App. 496.

<sup>1</sup> See *Freiberg v. Stoddard*, 161 Pa. 259, and the remarks of Rice, P. J., on pp. 261 and 263. Note also, *City of St. Paul v. Seymour*, 71 Minn. 303; *Ins. Co. v. Caldwell*, 59 Kan. 156; *Paul v. Draper*, 158 Mo. 197; *Shute v. Hinman*, 34 Oreg. 578; *Winston v. Miller*, 139 Ala. 259; *Watts v. Newberry*, 107 Va. 233.

<sup>2</sup> *Lench v. Lench*, 10 Ves. 517; note to *Dyer v. Dyer*, 1 Lead. Cas. Eq. \*215; *Smith v. Turley*, 32 W. Va. 14.

<sup>3</sup> *Hill on Trustees*, 113, 114.

<sup>4</sup> *Brown v. Jones*, 1 Atk. 191.

which always implies bounty;<sup>1</sup> but the limitations of beneficial interests are usually more precise and exhaustive in deeds than in wills, and a case of an interest undisposed of is not therefore so likely to arise.<sup>2</sup>

The plainest case of a trust of the kind now attempted to be explained is that in which a gift is made upon trust, but no trusts are declared. Of this a striking example is the case of the *Corporation of Gloucester v. Wood*,<sup>3</sup> where a testator gave £200,000 to his executors "for the purpose I have before named," but no purposes had been named, and it was held that there was a resulting trust in favor of the residuary legatees.

An insufficient declaration of trust will have the same effect as an entire failure to declare.<sup>4</sup>

### 88. Where the beneficial interest is not exhausted.

A more difficult question not unfrequently arises in those cases in which the gift is made upon trusts which are effectively declared, but which do not exhaust the entire beneficial interest. Here, if the intention is plain that the donee is not to take the undisposed residue beneficially, there will, of course, be a resulting trust in favor of the next of kin, or the heir-at-law, according to the nature of the property; but the difficult point to determine is whether the donee was intended to take the undisposed interest beneficially. Many authorities exist upon this point, and many fine distinctions have been drawn. In *Barrs v. Fewkes*,<sup>5</sup> however, the result of the cases is thus stated by the (then) Vice-Chancellor, Wood: 1st, where there is a gift to A. to enable him to do something, where he has a choice whether he will do it or not, then the gift is for his own benefit, the motive why it is given to him being stated; 2d, where you find the gift is for the general purposes of the will, then the person who takes

<sup>1</sup> *Sidney v. Shelly*, 19 Ves. 358.

<sup>2</sup> As an illustration of the question under a deed, see *Smith v. Cooke* [1891], A. C. 297, and *Witt v. Carroll*, 37 So. Car. 388.

<sup>3</sup> *Hare*, 131; 1 H. L. Cas. 272. See, also, *Schmucker's Estate v. Reel*, 61 Mo. 592, where the subject is carefully discussed. Also *Heidenheimer v. Bauman*, 84 Tex. 174, and *Trinity M. E. Church v. Baker*, 91 Md. 539.

<sup>4</sup> *Hill on Trustees*, 116; *Morice v.*

*Bishop of Durham*, 9 Ves. 399; 10 Id. 522. See, also, *Lomax v. Ripley*, 3 Sm. & Giff. 48; *King v. Mitchell*, 8 Pet. 326; *Sheaffer's Appeal*, 8 Pa. 38. See, however, *Benning v. Benning's Ex'rs*, 14 B. Mon. 585.

<sup>5</sup> 2 Hem. & M. 60. See, also, *Ellcock v. Mapp*, 3 H. L. Cas. 492; *King v. Denison*, 1 V. & B. 272; *Williams v. Roberts*, 4 Jur. N. s. 18; *Sheaffer's Appeal*, 8 Pa. 38; *Hill on Trustees*, 119.

the estate cannot take the surplus, after satisfying the trust, for his own benefit; and 3d, where a charge is created by the will, the devisee takes the surplus for his own benefit, no trust being implied.

Another instance of the class of resulting trusts now under consideration is that which arises out of the failure of a gift by lapse. Where, for example, a testator declares a trust in favor of A., and A. dies in the testator's lifetime, the trustee will hold the property for the benefit of the testator's real or personal representatives, according to the nature of the property.<sup>1</sup> So, too, where a gift is void *ab initio* because of its violation of some statutory provision (*e. g.*, the statutes against excessive accumulations), or because of its illegal purpose, the interest which is thus attempted to be illegally created will result for the benefit of the heir or next of kin.<sup>2</sup>

A resulting trust of personalty will not, however, arise where there is a residuary clause, because that clause ordinarily includes all interest not disposed of at the time of the testator's death.<sup>3</sup> Where, however, the interest which fails constitutes, or forms a part of, the residuary estate, a resulting trust will take place.<sup>4</sup>

It is sometimes difficult to determine for whose benefit the resulting trust takes effect,—that is to say, whether for the heir or next of kin. Thus, where real estate is directed to be sold, and the proceeds applied to certain purposes, and there is a partial failure of purposes for which the sale was designed, a question may arise whether the undisposed surplus will go to the next of kin in its new condition of personalty, or to the heir in accordance with its original state. The general rule in England now is that unless there is a conversion out and out and for all purposes, the heir-at-law will take.<sup>5</sup> In America, how-

<sup>1</sup> Hill on Trustees, 135, 136; Bancroft v. Russell, 157 Mass. 47; Haskins v. Kendall, 158 Id. 224.

<sup>2</sup> Johnson v. Clarkson, 3 Rich. Eq. 305; Ford v. Dangerfield, 8 Id. 95; Drew v. Wakefield, 54 Me. 291; Lusk v. Lewis, 32 Miss. 297; St. Paul's Ch. v. Att.-Gen., 164 Mass. 188; Heiskell v. Trout, 31 W. Va. 810. See Franklin's Estate, 150 Pa. 437, for a case in which the court refused relief to the

*cestuis que trustent* under a resulting trust of this sort on the ground that the holder of the legal title (a municipality) could not administer a private trust. But see *post*, § 136, and notes.

<sup>3</sup> Woolmer's Est., 3 Whart. 477.

<sup>4</sup> Leake v. Robinson, 2 Meriv. 392; Hill on Trustees, 136.

<sup>5</sup> Ackroyd v. Smithson, 1 Lead. Cas. Eq. 872 (4th Eng. ed.).

ever, the rule is not so strongly in favor of the heir,<sup>1</sup> and where realty and personalty are mixed in a common fund, and there is a partial failure of a beneficial interest by lapse, the trust which results will enure to the benefit of the personal, and not the real representative of the testator.

### 89. Exceptions in favor of charities.

An exception to the doctrine of resulting trusts of the class now under discussion occurs in the case of a charity. It has already been stated that one of the requisites to the creation of a valid trust is *certainty* in the object to be benefited. If the object of an ordinary trust be not defined with sufficient precision, the gift will fail, and there will, of course, be a resulting trust. But in trusts for charitable uses the rule is otherwise. Uncertainty in the object does not necessarily result in a failure of the gift. Indeed, uncertainty in the object has been said to be a characteristic of a true charitable use.<sup>2</sup> In New York, however, the same certainty is required in charitable trusts as in ordinary express trusts.<sup>3</sup>

Therefore, where there is a gift for charitable purposes *generally*, although no particular purpose is declared, or, if declared, does not exhaust the entire interest, there will be no resulting trust, but the general charitable purpose will be carried out by the Court of Chancery.<sup>4</sup>

The principle upon which a Court of Chancery acts in thus carrying out a general charitable intent is what is known in England as the *cy pres* doctrine—in other words, a doctrine by which the charitable disposition will be effected as nearly as may be. This principle has not been as much favored in the United States as in England, and the exception to the general rule as to resulting trusts is therefore not, perhaps, so broad as in England. The subject will be found noticed under the head of Trusts for Charitable Uses.<sup>5</sup> At present it is sufficient to observe that this exception does exist.

<sup>1</sup> Hill on Trustees, 143; *post*, Part II, Chap. V.

<sup>2</sup> *Infra*, Part I, Chap. V.

<sup>3</sup> Tilden v. Green, 130 N. Y. 29. And see *In re Hoffman's Est.*, 70 Wis. 522.

<sup>4</sup> Hill on Trustees, 128. But where

the trust is for a *particular* charitable purpose *only*, and that particular purpose has determined, there will be a resulting trust for the heirs. *Hopkins v. Grimshaw*, 165 U. S. 342-353.

<sup>5</sup> *Infra*, Part I, Chap. V.

### 90. Conveyances without consideration.

The last of the classes into which resulting trusts have been divided is where there is a voluntary conveyance without any consideration, and it appears from circumstances that the grantee was not intended to take beneficially.<sup>1</sup>

According to the ancient doctrine, where a feoffment was made without any consideration, the use resulted to the feoffor; and it was formerly thought that the same rule would apply to voluntary declarations of trust.<sup>2</sup> But the true rule now seems to be that where the instrument is perfectly executed and intended to operate at once, no resulting trust for the grantor will arise from the mere fact that the transaction is a voluntary one, unless there are other circumstances which tend to show that the grantee was not intended to take beneficially.<sup>3</sup> But very slight evidence will suffice to warrant the implication of a trust in favor of the grantor.<sup>4</sup>

### 91. Constructive Trusts.

The second general division of implied trusts is that which embraces those known as Constructive Trusts. Constructive trusts are those which arise purely by construction of equity, and are entirely independent of any actual or presumed intention of the parties. Nor have constructive trusts, as they are here considered, any element of fraud in them. Equity, indeed, as we shall see, makes use of the machinery of a trust for the purpose of affording redress in cases of fraud; as, when a party has acquired the legal title to property by unfair means, he will be deemed to hold it in trust for the injured party, who may call for a conveyance thereof.<sup>5</sup> The party guilty of the fraud is said, in such cases, to be a trustee *ex maleficio*.<sup>6</sup> But, in such cases,

<sup>1</sup> Clark v. Patterson, 158 Mass. 388.

<sup>2</sup> Hill on Trustees, 196.

<sup>3</sup> Soverbye v. Arden, 1 Johns. Ch. 240; Rathbun v. Rathbun, 6 Barb. 98; Philbrook v. Delano, 29 Me. 410; Jackson v. Cleveland, 15 Mich. 103; Baldwin v. Campfield, 4 Halst. Ch. 891; Hogan v. Jaques, 19 N. J. Eq. 126; Bank of United States v. Housman, 6 Paige Ch. 526; Titecomb v. Morrill, 10 Allen, 15; Salisbury v. Clarke, 61 Vt. 453. See, however, Hogan v. Strayhorn, 65 N. C. 279.

<sup>4</sup> Rogers v. N. Y. and Tex. Land Co., 134 N. Y. 197-214.

<sup>5</sup> Edwards v. Culberson, 111 N. Car. 342. And see the language of the court in Cole v. Fickett, 95 Me. 265, and in Lockhart v. Leeds, 195 U. S. 436.

<sup>6</sup> See Jones v. Van Doren 130 U. S. 691; Hoge v. Hoge, 1 Watts, 163; Church v. Ruland, 64 Pa. 443; Beegle v. Wentz, 55 Id. 374; Squire's Appeal, 70 Id. 266; Jones v. Jones, 140 Cal. 587.

the interference of courts of equity is called into play by fraud as a distinct head of jurisdiction; and the complainant's right to relief is based upon that ground, the defendant being treated as a trustee merely for the purpose of working out the equity of the complainant.<sup>1</sup> Cases of this description, therefore, will be considered under the head of Fraud. At present we have to do with those trusts which are, in the truest and most technical sense, constructive—those, namely, which arise by pure implication of equity, and without regard to the intention of parties, or (necessarily) the frustration of fraud.

**92. Trustee cannot acquire rights antagonistic to *cestui que trust*.**

One of the most ordinary trusts of this kind is that which grows out of the rule of law which forbids a trustee, or any other person who occupies a fiduciary or quasi-fiduciary position, from gaining any personal advantage touching the thing or subject as to which such fiduciary position exists.<sup>2</sup> To use the language of a learned author, "wherever one person is placed in such relation to another, by the act or consent of that other, or the act of a third person, or of the law, that he becomes interested for him, or interested with him in any subject of property or business, he is prohibited from acquiring rights in that subject antagonistic to the person with whose interest he has become associated."<sup>3</sup> The instance usually given of this rule is the renewal of a lease by a trustee in his own name and with his own funds, which renewal will, by the equitable doctrine now under consideration, enure to the benefit of the *cestui que trust*; and the leading authority upon the subject is the case of *Keech v. Sandford*, otherwise known as the *Rumford Market Case*.<sup>4</sup> In that case the trustee applied, in the first instance, for the renewal for the benefit of the beneficiary, who was an infant; but the renewal was refused on the ground that the subject-matter of the lease being the profits of a market, there could be no distress, and the lessee's remedy must be on the covenant alone, by which the infant could not be bound. The

<sup>1</sup> *Kroll v. Coach*, 45 Or. 473.

<sup>2</sup> *Hill on Trustees*, 159.

<sup>3</sup> American note to *Keech v. Sandford*, 1 Lead. Cas. in Eq. 62 (4th Am. ed.); *Staats v. Bergen*, 17 N. J. Eq. 297; *Ashuelot Railroad Co. v. Elliot*,

57 N. H. 397. See *Chicago Hansom Cab Co. v. Yerkes*, 141 Ill. 320, and *Trice v. Comstock*, 57 C. C. A. 646.

<sup>4</sup> 1 Lead. Cas. in Eq. 44; Sel. Cas. in Ch. 61. See, also, *Mill v. Hill*, 3 H. L. Cas. 828.

trustee then renewed for himself; and it was held, on bill filed, that he must still be regarded as a trustee of the lease for the benefit of the infant. The general doctrine of this case is well established in the United States,<sup>1</sup> and was thus expressed in a recent case: "There is a reasonable expectancy attending a lease of land that the tenant holding possession under it will be able to renew the lease at its expiration, which expectancy is under some circumstances recognized as a valuable property right, though the tenant may have no way of enforcing renewal. Equity will so regard and treat it as against those occupying fiduciary relations to the tenant in respect of the leased property when they seek to supplant the tenant in the renewal of the lease, and the doctrine applies where a corporation's managing officers offend against it."<sup>2</sup>

It may be thought that the above example might fall more properly under the head of a resulting trust of the second class,<sup>3</sup> on the one hand, or under the head of constructive trusts by presumptive fraud on the other. But the instance of a trust just stated differs from a resulting trust of the second class, inasmuch as the renewal of the lease was not made with trust funds, but with the proper money of the trustee; and it differs from a trust by fraud (growing out of the relation of parties) in this that no fraudulent intent is even presumed to exist, but the renewal is forbidden simply on the ground of public policy alone.<sup>4</sup>

### 93. Extent of this rule.

The rule under discussion applies not only to persons stand-

<sup>1</sup> American note to *Keech v. Sandford* (*supra*); *Parkist v. Alexander*, 1 Johns. Ch. 394; *Green v. Winter*, Id. 26; *Holridge v. Gillespie*, 2 Id. 30; *Davoue v. Fanning*, Id. 252; *Van Horne v. Fonda*, 5 Id. 409; *Evertson v. Tappen*, Id. 514; *Wilson v. Troup*, 2 Cowen, 195; *Butler v. Hicks*, 11 Sm. & Marsh. 78; *Mathews v. Dragaud*, 3 Dess. 25; *Irwin v. Harris*, 6 Ired. Eq. 221; *Clark v. Cantwell*, 3 Head, 202; *Heager's Ex'rs*, 15 S. & R. 65; *Galbraith v. Elder*, 8 Watts, 81; *Huson v. Wallace*, 1 Rich. Eq. 2; *King v. Cushman*, 41 Ill. 31; *Frank's Appeal*, 59

Pa. 190; *Woods v. Irwin*, 163 Id. 414; *Jones's Estate*, 179 Id. 36; *McGuire v. Devlin*, 158 Mass. 63; *Petrie v. Badenoch*, 102 Mich. 45; *Fricker v. Americus Mfg. Co.*, 124 Ga. 165.

<sup>2</sup> *Lagarde et al. v. Anniston Lime & Stone Co.*, 126 Ala. 496; *De Bardeleben v. Bessemer Land Co.*, 140 Ala. 621.

<sup>3</sup> *Supra*, § 86. See *Cooper v. Phibbs*, L. R. 2 H. L. 149.

<sup>4</sup> *Rich v. Black*, 173 Pa. 92. Where no actual fraud exists, the remedy is in equity alone. *Yeackel v. Litchfield*, 13 Allen, 417.



ing in a direct fiduciary relation toward others—such as trustees, executors, attorneys, and agents, but 'also to those who occupy any position out of which a similar duty ought in equity and good morals to arise.<sup>1</sup> Thus it will be enforced against partners,<sup>2</sup> tenants in common,<sup>3</sup> tenants for life,<sup>4</sup> tenants for years,<sup>5</sup> mortgagees,<sup>6</sup> a husband,<sup>7</sup> attorneys-at-law,<sup>8</sup> and vendees under articles,<sup>9</sup> in favor of co-partners, co-tenants, tenants in remainder, landlords, mortgagors, a wife, clients, and vendors, respectively. It has been applied as against the receiver of a corporation,<sup>10</sup> and his confidential clerk;<sup>11</sup> and it has been enforced against directors of corporations in favor of stockholders.<sup>12</sup> And these instances must be considered only as illustrations of the principle, and not as an exhaustive catalogue of the parties to whom it will be confined. A purchaser from a trustee, executor, etc., will also be held to the same responsibility if he is either a purchaser without value or a purchaser with notice of the trust. To be protected he must be a *bona fide* purchaser, without notice and for a valuable consideration.<sup>13</sup>

<sup>1</sup> *Sun Dance Mining Co. v. Frost*, 7 Ariz. 297.

<sup>2</sup> *Anderson v. Lemon*, 4 Seld. 236; *Cushing v. Danforth*, 76 Me. 114; *Roby v. Colehour*, 135 Ill. 300; *Gunn v. Black's Adm'trx*, 19 U. S. App. 477-485. But the rule does not apply to transactions outside of the scope of the firm's business. *Latta v. Kilbourn*, 150 U. S. 524.

<sup>3</sup> *Van Horne v. Fonda*, 5 Johns, Ch. 409; *Bissell v. Foss*, 114 U. S. 252; *Turner v. Sawyer*, 150 Id. 578; *Pillow v. Southwest Imp. Co.*, 92 Va. 144; *Franklin Mining Co. v. O'Brien*, 22 Col. 129; *Keller v. Auble*, 58 Pa. 410; *Tanney v. Tanney*, 159 Id. 277; *Weaver v. Akin*, 48 W. Va. 456. But see *Kennedy v. De Trafford* [1896], 1 Ch. 762, *contra*, where *Van Horne v. Fonda* is criticised. See, also, *Stevens v. Reynolds*, 143 Ind. 467.

<sup>4</sup> *Dickinson v. Codwise*, 1 Sandf. Ch. 227; *Moore v. Simonson*, 27 Oregon, 117.

<sup>5</sup> *Matthews's Appeal*, 104 Pa. 444; *Oppenheimer v. Levi*, 96 Md. 296.

<sup>6</sup> *Hyndman v. Hyndman*, 19 Vt. 9; *Benham v. Rowe*, 2 Cal. 387; *McHan v. Ordway*, 76 Ala. 347. See *Woodlee v. Burch*, 43 Mo. 231; *Fellows v. Loomis*, 170 Pa. 415; *Chrisman v. Hough*, 146 Mo. 102; *Porter v. Corbin*, 124 Mich. 201.

<sup>7</sup> *Swisshelm's Appeal*, 56 Pa. 475.

<sup>8</sup> *Moore v. Brecken*, 27 Ill. 23; *Galbraith v. Elder*, 8 Watts, 81; *Taylor v. Barker*, 30 S. C. 238; *Olson v. Lamb*, 56 Neb. 104.

<sup>9</sup> *Morgan v. Boone*, 4 Monroe, 291; *Stephens v. Black*, 77 Pa. 138; *Petroski v. Minsgohr*, 144 Mich. 356.

<sup>10</sup> *Shadewald v. White*, 74 Minn. 208; *Cook v. Martin*, 75 Ark. 40.

<sup>11</sup> *Gilbert v. Hewetson*, 79 Minn. 326.

<sup>12</sup> *Fishel v. Goddard*, 30 Colo. 152.

<sup>13</sup> *Hill on Trustees*, 162, 163; *Bridgman v. Green*, 2 Ves. Sr. 627; *De Everett v. Henry*, 67 Tex. 402; *Vance v. Kirk*, 29 W. Va. 344; *Jackson v. Thomson*, 222 Pa. 232.

On the other hand, a vendor of real estate under articles, or a mortgagor, is held to a corresponding duty towards the vendee or mortgagee. Thus, it has been held that if a lessee mortgages the leasehold, and afterwards obtains a renewal, the renewal shall enure for the benefit of the mortgagee.<sup>1</sup> Whether a person who, if he renew at all, is bound to renew for the benefit of another, can purchase the *reversion* for himself, seems to be a doubtful question.<sup>2</sup>

The renewal of leaseholds is only an example of the general principle stated above, viz., that no fiduciary can gain any personal advantage touching the subject of the trust.<sup>3</sup> The same doctrine is applied to prevent the purchase by persons in such positions of any claims, encumbrances, or outstanding titles. If, therefore, a tenant in common were to purchase an outstanding, adverse title, the acquisition would enure to the benefit of his co-tenants.<sup>4</sup> In other words, he will be treated as a constructive trustee of the newly-acquired title for the benefit of the other owners. And an agent employed to purchase, who takes a conveyance in his own name, will be considered as holding the property in trust for his principal.<sup>5</sup>

But a vendee under articles who buys at sheriff's sale to save his title, is not a trustee for the vendor—the only right of the latter is to recover on the agreement.<sup>6</sup> It must be recollected, however, that a vendee *in possession* under articles occupies towards the vendor a position analogous to that which a tenant holds to a landlord. He cannot deny his vendor's title; and, consequently, cannot set up a tax title as a defence to a bill for specific performance.<sup>7</sup>

#### 94. Trustee cannot purchase at his own sale.

Akin to the doctrine which has just been noticed is that which forbids trustees or executors or mortgagees with a power

<sup>1</sup> *Smith v. Chichester*, 1 Con. & L. 486.

<sup>2</sup> *Randall v. Russell*, 3 Meriv. 190. Though see *Britton v. Lewis*, 8 Rich. Eq. 271; *Eldridge v. Smith*, 34 Vt. 484.

<sup>3</sup> *Hill on Trustees*, 539 (849, 4th Am. ed.).

<sup>4</sup> *Lloyd v. Lynch*, 28 Pa. 419; *Dickey's Appeal*, 73 Id. 247; *Sleight v. Roe*, 125 Mich. 585; *Van Wagenen*

*v. Carpenter*, 27 Colo. 444. But see *Kennedy v. De Trafford* [1896], 1 Ch. 762.

<sup>5</sup> *Parkist v. Alexander*, 1 Johns. Ch. 394; *Wellford v. Chancellor*, 5 Gratt. 39; *Baker v. Whiting*, 3 Sumn. 476.

<sup>6</sup> See *Thompson v. Adams*, 55 Pa. 484; *Powell v. Lautsy*, 173 Id. 549–550.

<sup>7</sup> *Curran v. Banks*, 123 Mich. 594.

of sale from purchasing at their own sales.<sup>1</sup> It has been held in many cases that if trust property is sold by the trustee, even at public sale, he cannot purchase. If he does so he will still be considered, at the option of the *cestui que trust*, a trustee by equitable construction.<sup>2</sup>

This rule does not proceed on the ground of fraud, but because of public policy.<sup>3</sup> It is the same policy as that which forbids a sheriff, for instance, from purchasing at a sale under an execution.<sup>4</sup> No fraud may exist in point of fact; no fraud is presumed in law; but public propriety would be outraged if such acts were permitted, and hence their prohibition. When they *do* occur, the wrong inflicted is redressed through the medium of a constructive trust.<sup>5</sup>

This rule applies not only to those cases in which the trustee or agent for sale buys directly from the beneficiary (in which case indeed, an element of fraud through undue influence is introduced by which the transaction is vitiated), but also to purchasers at public auction, where all the world has a chance to buy, and it makes no difference whether the purchase has been advantageous or not; in either event the *cestui que trust* or principal, as the case may be, has the right to have it rescinded.<sup>6</sup>

<sup>1</sup> *Downes v. Grazebrook*, 3 Mer. 200; *Farrar v. Farrars, Limited*, 40 Ch. D. 409; *Commercial Union Ins. Co. v. Scammon*, 126 Ill. 355; *Nichols v. Otto*, 132 Id. 97; *Standback v. Thornton*, 106 Ga. 81; *French v. Woodruff*, 25 Colo. 340; *Brewer v. Harrison*, 27 Id. 349; *Smith v. Miller*, 98 Va. 535; *Marquam v. Ross*, 47 Or. 374.

<sup>2</sup> See notes to *Fox v. Mackreth*, 1 Lead. Cas. Eq. 115, and *Hill on Trustees*, 248 (4th Am. ed.), and notes.

<sup>3</sup> See *Yeackel v. Litchfield*, 13 Allen, 419; *Goodell v. Goodell*, 173 Mass. 140; *Tanner's Estate*, 218 Pa. 361.

<sup>4</sup> See *Lazarus v. Bryson*, 3 Binney, 58; and *Hall v. Moore*, 70 Miss. 75.

<sup>5</sup> *Hill on Trustees*, 159 (248, 4th Am. ed., and notes); *Michoud v. Girod*, 4 How. 504; *Davoue v. Fanning*, 2 Johns. Ch. 252; *Leisenring v.*

*Black*, 5 Watts, 303; *Rich v. Black*, 173 Pa. 99; *Staats v. Bergen*, 17 N. J. Eq. 544; *Blauvelt v. Ackerman*, 20 Id. 141; *Miles v. Wheeler*, 43 Ill. 123; *Kruse v. Steffens*, 47 Id. 112; *Grumley v. Webb*, 44 Mo. 444; *Roberts v. Roberts*, 65 N. C. 27; *Carter v. Thompson*, 41 Ala. 375; *Harris v. Parker*, Id. 604; *Scott v. Umbarger*, 41 Cal. 419; *Reed v. Aubrey*, 91 Ga. 435 (a case of attempted sale to the wife of the trustee); *Taylor v. Calvert*, 138 Ind. 67. See, however, *Birdwell v. Cain*, 1 Cold. 301.

<sup>6</sup> *Campbell v. Walker*, 5 Ves. 680; 13 Id. 601; *Davoue v. Fanning*, 2 Johns. Ch. 253; *Boerum v. Schenck*, 41 N. Y. 182; *Washington, A. & G. R. R. Co. v. Alexandria & W. R. R. Co.*, 19 Gratt. 592; *Campbell v. McLain*, 51 Pa. 200; *French v. Pittsburg Vehicle Co.*, 184 Id. 163; *Ives v. Ashley*, 97 Mass. 198; *Dormitzer v.*

The purchase, however, may be affirmed at the option of the *cestui que trust*; <sup>1</sup> and this affirmance may be implied by acquiescence after knowledge,<sup>2</sup> and the doctrine under consideration will not be applied where the acquisition of trust property by the trustee is in pursuance of the very terms of the trust.<sup>3</sup> Moreover, the doctrine is not without limits. It is not to be extended so as to prevent one who stands in a fiduciary relation from taking such steps as are necessary, in good faith, to protect his own interests. When, therefore, the pledgee of a mortgage was requested by the pledgor (the mortgagee) to proceed to foreclosure, and did so, and notified the pledgor that he (the pledgee) would bid only to an amount sufficient to cover the debt due him, it was held that the title acquired by the pledgee at such sale was free from any trust in favor of the pledgor.<sup>4</sup> And where property is sold at a trustee's sale and bought by a stranger, the trustee may subsequently purchase from the stranger, provided the purchase is not made by virtue of some arrangement entered into at or prior to the trustee's sale and there is no element of bad faith.<sup>5</sup> But such a transaction should be subjected to close scrutiny.

It is a disputed point whether the rule applies to sales made adversely to the trust. Thus, it has been ruled that if a trust estate is sold under an adverse judgment, it is entirely competent for the trustee to bid.<sup>6</sup> The weight of authority, however,

German Savings & Loan Soc., 23 Wash. 132, 222. Even if the trustee buys, not for himself, but for a third party. *North - Baltimore Build. Assoc'n v. Caldwell*, 25 Md. 420.

<sup>1</sup> *Ives v. Ashley (supra)*; *Yeackel v. Litchfield*, 13 Allen, 419; *Perry on Trusts*, § 198; *Hill on Trustees*, 249 (4th Am. ed.).

<sup>2</sup> *Hammond v. Hopkins*, 143 U. S. 224; *Hoyt v. Latham*, Id. 553.

<sup>3</sup> *Patterson v. Lennig*, 118 Pa. 571.

<sup>4</sup> *Plucker v. Teller*, 174 Pa. 529. For an analogous case, see *Harrison v. Mulvane*, 62 Kan. 454. See, also, *Cottingham v. Moore*, 128 Ala. 209, and *Corbin v. Baker*, 167 N. Y. 128; *Shreve v. McGowin*, 143 Ala. 665.

<sup>5</sup> *Voorhees v. Baily*, 59 N. J. Eq. 292.

<sup>6</sup> *Fisk v. Sarber*, 6 W. & S. 18; *Chorpenning's Appeal*, 32 Pa. 315; *Bruner v. Finley*, 187 Id. 389; *Dyer v. Shurtliff*, 112 Mass. 165; *Hall v. Bliss*, 118 Id. 554; *Twin-Lick Oil Co. v. Marbury*, 91 U. S. 590-595; *Allen v. Gillette*, 127 Id. 589; *Steinbeck v. Mining Co.*, 152 Fed. Rep. 333. *Downs v. Rickards*, 4 Del. Ch. 416; *Hill on Trustees*, 160 (250, 4th Am. ed.). But it has been held that the rule in *Fisk v. Sarber* does not apply to a case in which the judicial sale has been brought about by the trustee; *Parshall's Appeal*, 65 Pa. 235; nor where the trustee has availed himself of an advantage of any kind, the benefit of which he should have given to the *cestui que trust*. *Mullen v. Doyle*, 147 Pa. 512.

is perhaps the other way;<sup>1</sup> and this tendency is well illustrated by a case in Michigan, where it was held that an agent for the sale of real estate not only had no right to bid it in for himself at a foreclosure sale, but that he could not free himself from this disability by notifying his principal, prior to the sale, that it was his intention to bid.<sup>2</sup>

Trustees are very frequently allowed by order of court to bid at their own sales, but in so doing their conduct is watched with great jealousy,<sup>3</sup> and if they use trust funds in the purchase, the profits of a resale will be held to belong to the *cestui que trust*.<sup>4</sup>

### 95. Other Constructive Trusts.

A constructive trust will also arise if a person obtains from a trustee the trust property without paying value for it, although without notice of the trust. In such a case he will be held to be a trustee by construction.<sup>5</sup>

A constructive trust may also arise under a contract.<sup>6</sup> Where a contract has been entered into for the sale of an estate, equity, as it looks upon things agreed to be done as actually performed,<sup>7</sup> considers the vendor as a trustee of the legal title for the purchaser, and the purchaser as a trustee of the purchase-money for the vendor.<sup>8</sup> The method of enforcing these trusts is by a bill to compel the conveyance of the legal title, or, in other words, a bill for specific performance; and the subject will be considered when that equitable remedy is treated of.<sup>9</sup>

Constructive trusts, like resulting trusts, do not fall within the Statute of Frauds. Such has been the uniform doctrine of the English courts, and the same rule has been adopted in this country.<sup>10</sup> Any other interpretation, indeed, would be in con-

<sup>1</sup> *Marshall v. Carson*, 38 N. J. Eq. 250. See *Hill on Trustees, ubi supra*; *Perry on Trusts*, § 205.

<sup>2</sup> *Kimball v. Ranney*, 122 Mich. 160.

<sup>3</sup> *Cadwalader's Appeal*, 64 Pa. 293; *Dundas's Appeal*, Id. 325; *Tennant v. Trenchard*, L. R. 4 Ch. App. 537-547.

<sup>4</sup> *Baker's Appeal*, 120 Pa. 33.

<sup>5</sup> *Hill on Trustees*, 172.

<sup>6</sup> Money or property contributed by his followers to the founder of a church, who is professedly engaged in extending and building up such

church, cannot be claimed by him as his individual property, but is impressed with a trust which binds him as trustee to use it for such purpose, and such trust may be enforced in equity. *Holmes v. Dowie*, 148 Fed. Rep. 634.

<sup>7</sup> *Ante*, § 44.

<sup>8</sup> *Hill on Trustees*, 171.

<sup>9</sup> *Infra*, Part III., Chap. I.

<sup>10</sup> *Hill on Trustees*, 59; *Plumer v. Reed*, 38 Pa. 46; *Beegle v. Wents*, 55 Id. 369; *Seechrist's Appeal*, 66 Id. 237; *Church v. Ruland*, 64 Id. 442;

travention rather than in fulfilment of the provisions of the statute; for it has been well said that it is not easy to see how such a trust could be established except by parol evidence, and that if such evidence were not competent, a "statute made to prevent frauds would become a most potent instrument whereby to give them success." <sup>1</sup>

Hoge v. Hoge, 1 Watts, 163; Roby v. Colehour, 135 Ill. 300; Giffen v. Taylor, 139 Ind. 573.

<sup>1</sup> Church v. Ruland, *supra*; Simond's Estate, 201 Pa. 417. See,

also, Long v. Perdue, 83 Pa. 217; Haigh v. Kaye, L. R. 7 Ch. App. 469; Davis v. Whitehead [1894], 2 Ch. 133; Story's Equity Jurisp. § 1198.

## CHAPTER IV.

## TRUSTS FOR MARRIED WOMEN.

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|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>96. Rights of husband at common law in wife's property.</li> <li>97. Statutory changes.</li> <li>98. Creation of trusts for sole and separate use.</li> <li>99. Trustee not necessary.</li> <li>100. No particular words necessary.</li> <li>101. Power of married women over separate estate.</li> <li>102. Liability of separate estate to her engagements.</li> <li>103. Rules in the United States upon this subject.</li> <li>104. Restraints on anticipation.</li> <li>105. For whose benefit separate estates may be created.</li> </ul> | <ul style="list-style-type: none"> <li>106. Rules in the United States upon this subject.</li> <li>107. General conclusions; Lewin's propositions.</li> <li>108. Pin-money trusts.</li> <li>109. Wife's equity to a settlement.</li> <li>110. How enforced.</li> <li>111. How waived.</li> <li>112. To what property it attaches.</li> <li>113. Against whom, and in whose favor.</li> <li>114. Gifts from husband to wife; contracts.</li> <li>115. Contracts for separation.</li> </ul> |
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**96. Rights of husband at common law in wife's property.**

It is well known that at common law a husband acquired a life estate as tenant by the curtesy of England in his wife's inheritable estates in realty, provided there was issue of the marriage born alive,<sup>1</sup> that he had power to alien her chattels real, and that he also became entitled to her personal property in possession, and to her *choses in action*, provided he reduced them into possession during coverture, or by administration, if he survived her.

This was the case not only as to the property of a *feme covert* of which she held the legal title, but also as to that in which she had only an equitable interest. If, for example, a fund were held by a trustee for the benefit of a woman, and she were to marry, her husband would have had the right to demand payment to himself, and his receipt would have been a sufficient discharge.<sup>2</sup>

<sup>1</sup> In many states of the Union birth of issue is no longer a requisite to tenancy by the curtesy.

<sup>2</sup> Hill on Trustees, 407; Perry on Trusts, § 626.

This right of the husband was, however, subject to this qualification, viz., that if, in order to reach the equitable property of the wife, he were obliged to come into the Court of Chancery, equity would compel him, at her request, to make a suitable provision for herself and her children.<sup>1</sup> This right of the wife was what is known as her equity to a settlement. It grew out of the general maxim that he who seeks the aid of a court of equity must do equity; and was, therefore, at first supposed to be enforceable against the husband only in those instances wherein he was compelled to resort to the assistance of a chancellor for the purpose of reaching his wife's property. It was, however, decided in *Elibank v. Montolieu* that the benefit of this rule could be claimed by the wife as plaintiff, and this is now settled law.<sup>2</sup>

### 97. Statutory changes.

The English common-law rule existed originally in most of the United States. It has, however, in many, if not all of them, been altered by statute, and the property of married women has been freed from the grasp of the husband's authority and from liability for his debts and engagements; and in England, also, the common-law rights of the husband in his wife's property have been modified in a like manner, by the Married Women's Property Acts of 1882 and 1893, by which the property of a married woman is absolutely secured to her, and the intervention of a trustee is unnecessary.<sup>3</sup> Moreover, both in England and in the United States, the *power* of a married woman, in respect of her property, has undergone an equally radical change; for a *feme covert* in England may now, without the intervention of a trustee, dispose by will or otherwise, of any property, real or personal, as if she was a *feme sole*; while in many states of the Union statutory provisions of an equally liberal character exist.<sup>4</sup>

### 98. Creation of trusts for sole and separate use.

Reasons similar to those which have led to these legislative enactments had long ago in England induced the Court of Chancery to interpose its extraordinary jurisdiction for the pro-

<sup>1</sup> *Elibank v. Montolieu*, 1 Lead. Id., c. 63. See Lewin on Trusts, 921 Cas. Eq. 623, and *post*, § 109. (10th Eng. ed.).

<sup>2</sup> *Elibank v. Montolieu*, 5 Ves. 737.

<sup>3</sup> 45 and 46 Vict., c. 75; 56 and 57

<sup>4</sup> *Davies v. Jenkins*, 6 Ch. D. 728; *Morrell v. Cowan*, Id. 166. See notes



tection of married women, and this object was effected by the creation of what is now so well known as the equitable separate estate of *femes covert*—which not only owes its existence to equity, but which is governed, in many particulars, by rules differing from those which are incidental to ordinary legal and equitable estates, and which the courts have found necessary to lay down in order to attain the desired end.

This equitable separate estate may be defined to be an estate created by, and originally recognized only in, courts of equity for the purpose of securing the beneficial enjoyment of property to a woman during coverture—this purpose being effected through the medium of a trust whereby the ordinary marital rights of the husband over his wife's property are excluded, so far as the same are in contravention of the *feme's* enjoyment of her estate.<sup>1</sup>

It will be seen, hereafter, that while the objects which the courts had in view, in creating the equitable separate estate, were to exclude the husband's control, to free the property from liability for his debts, and to secure to the wife its beneficial ownership, yet the decisions upon this subject have not been uniformly successful in accomplishing the desired results.

It may be observed here that while the separate use trust is of an exceptional character,<sup>2</sup> yet it is based upon very broad principles which occasionally manifest themselves in other equitable doctrines as much at variance with the ordinary common-law rules as the one now under consideration. Thus, it has been pointed out by a learned judge that not unfrequently a strife occurs between the will of the donor and the public policy which forbids a restraint upon alienation, or which renders property in which a party has a beneficial interest subject to the grasp of his creditors. Yet it has occurred in many instances that both of these branches of public policy have been, to a certain extent, infringed, because equity has thought it right to allow a donor to make a gift upon such terms, and subject to such restrictions, as he might see fit.<sup>3</sup>

to *Hulme v. Tenant*, 1 Lead. Cas. Eq. 481 (4th Eng. ed.).

<sup>1</sup> When the legal title is vested in the *feme* there is no separate estate. *Todd's Appeal*, 24 Pa. 429.

<sup>2</sup> When the settlement to the separate use of a married woman is made

in pursuance of an antenuptial contract, no policy of the law is violated. It is simply the fulfillment of a contract. *Lewin on Trusts*, 920 (10th Eng. ed.).

<sup>3</sup> See *Wells v. McCall*, 64 Pa. 212 (*per Agnew, J.*); *Dodson v. Ball*, 60

### 99. Trustee not necessary.

It has been stated already that the object of securing to a wife the enjoyment of her estate was effected through the medium of a trust. Wherever there is an intention to create a trust, and that intention is manifested by apt words, the use will not be executed in the wife.<sup>1</sup> It is not, however, necessary that a *trustee* should be expressly nominated. It was, indeed, at one time doubted whether a trustee would not be necessary,<sup>2</sup> but it is now settled that where there is a gift to a married woman, and no trustee is named, the husband will be considered the trustee;<sup>3</sup> especially if the gift be from him directly to the wife, for in this last case the gift could be supported in no other way.<sup>4</sup> But while a *trustee* is not necessary, it is essential that there should be a trust; in other words, it is imperative that there should be a separation of the estate into its legal and equitable elements, and that the latter only should vest in the wife. If the legal estate becomes vested in the *feme*, it is impossible to exclude the rights of the husband,<sup>5</sup> or to trammel the power of the wife.<sup>6</sup>

Id. 492; *Jourdan v. Dean*, 175 Id. 599.

<sup>1</sup> See *Ware v. Richardson*, 3 Md. 553, and *Ayer v. Ayer*, 16 Pick. 327, where the subject is well discussed.

<sup>2</sup> By Lord Cowper in *Harvey v. Harvey*, 1 P. Wms. 125.

<sup>3</sup> *Bennet v. Davis*, 2 P. Wms. 316; *Parker v. Brooke*, 9 Ves. 583; *Jamison v. Brady*, 6 S. & R. 466; *Varner's Appeal*, 80 Pa. 140; *Barron v. Barron*, 24 Vt. 375; *Long v. White*, 5 J. J. Marsh. 226; *Trenton Banking Co. v. Woodruff*, 1 Green Ch. 210; *Steel v. Steel*, 1 Ired. Eq. 452; *Freeman v. Freeman*, 9 Mo. 772; *Hamilton v. Bishop*, 8 Yerg. 33; *Fears v. Brooks*, 12 Ga. 195; *Whitten v. Jenkins*, 34 Id. 297; *Miller v. Miller's Admtr.*, 92 Va. 510; *Hill on Trustees*, 628 (4th Am. ed.); *Perry on Trusts*, § 647.

<sup>4</sup> *Steel v. Steel*, 1 Ired. Eq. 452, 455; *McKenna v. Phillips*, 6 Whart. 371; *Boykin v. Ciples*, 2 Hill Ch. 200; *Baskins v. Giles*, Rice's Eq. 316; *Long v. White*, 5 J. J. Marsh. 226;

*Trenton Banking Co. v. Woodruff*, 1 Green Ch. 118; *Freeman v. Freeman*, 9 Mo. 772; *Hamilton v. Bishop*, 8 Yerg. 33; *Heck v. Clippenger*, 5 Pa. 385; *Shirley v. Shirley*, 9 Paige Ch. 364. See, however, *Wade v. Fisher*, 9 Rich. Eq. 362, where the gift was not upheld. In *Penna. Salt Co. v. Neel*, 54 Pa. 17, such a conveyance was sustained in a common-law action. A conveyance of lands made by a husband to his wife in the usual form without any words indicating an intention to do so, by necessary implication, and as a matter of law, vests in the wife a technical separate estate in the premises conveyed. *Barnum v. Le Master*, 110 Tenn. 638.

<sup>5</sup> *Bush v. Allen*, 5 Mod. 63; *Harton v. Harton*, 7 Term R. 652; *Williams v. Waters*, 14 Mees. & Wels. 166; *Wase v. Richardson*, 3 Md. 552; *Todd's Appeal*, 24 Pa. 429.

<sup>6</sup> *Warden v. Lyons*, 118 Pa. 398.

**100. No particular words necessary.**

No particular form of words is necessary to create a trust for the benefit of a *feme covert*.

According to the modern English authorities, the most apt word to create such a trust is "separate;" which has a fixed and technical meaning, and which will, of itself, exclude the marital rights; whereas the same fixed and technical meaning is not attributable to "sole."<sup>1</sup> And it may be stated, in general, that the instrument must manifest a design to exclude the husband, or must contain expressions inconsistent with his marital rights in respect of the property.<sup>2</sup>

Any form of expression, however, indicative of an intention to confer the beneficial enjoyment upon the wife, and to exclude the rights of the husband, will be enough.<sup>3</sup> It would be almost impossible to give all the expressions which have been held to be sufficient; the following are instances: "for her sole and separate use;"<sup>4</sup> "for her own use and benefit independent of any other person;"<sup>5</sup> her husband "to have no control;"<sup>6</sup> "for the use, maintenance, and support;"<sup>7</sup> "solely for her own use;"<sup>8</sup>

<sup>1</sup> See *Gilbert v. Lewis*, 1 De G., J. & Sm. 38; *Lewis v. Mathews*, L. R. 2 Eq. 177; *Massy v. Bowen*, L. R. 4 H. L. 288. As to "separate," see, also, *Scott v. Bryan*, 194 Pa. 46.

<sup>2</sup> *Rudipoll v. Watson*, 2 Dev. Eq. 430; *Ashcraft v. Little*, 4 Ired. Eq. 236, 238; *Williams v. Claiborne*, 7 Sm. & Marsh. 488; *Carroll v. Lee*, 3 Gill. & J. 505; *Roane v. Rives*, 15 Ark. 830; *Nightingale v. Hidden*, 7 R. I. 115; *Evans v. Knorr*, 4 Rawle, 66; *Evans v. Gillespie*, 1 Swan. 128; *Cook v. Kennerly*, 12 Ala. 42; *Hale v. Stone*, 14 Id. 803; *Turton v. Turton*, 6 Md. 375; *Brandt v. Mickle*, 28 Id. 436; *Tritt v. Colwell*, 31 Pa. 228.

<sup>3</sup> *Stuart v. Kessam*, 2 Barb. 494; *West v. West*, 3 Rand. 378; *Lewis v. Adams*, 6 Leigh, 320; *Perry v. Boileau*, 10 S. & R. 208; *Ballard v. Taylor*, 4 Dess. 550; *Davis v. Cain*, 1 Ired. Eq. 305; *Heathman v. Hall*, 3 Id. 414; *Hamilton v. Bishop*, 8 Yerg. 33; *Beaufort v. Collier*, 6 Humph.

487; *Somers v. Craig*, 9 Id. 467; *Nixon v. Rose*, 12 Gratt. 425; *Williams v. Avery*, 38 Ala. 115; *Clark v. Maguire*, 16 Mo. 302; *Boal v. Morgner*, 46 Id. 48; *Duffield's Appeal*, 168 Pa. 171.

<sup>4</sup> *Parker v. Brooke*, 9 Ves. 583; *Archer v. Rorke*, 9 Ir. Eq. 478.

<sup>5</sup> *Margetts v. Barringer*, 7 Sim. 482. See, also, *Pepper v. Lee*, 53 Ala. 33.

<sup>6</sup> *Edwards v. Jones*, 14 Weekly Rep. 815; see *Craig v. Watt*, 8 Watts, 498; *Keating v. McAdoo*, 180 Pa. 5; *Lewis v. Brice*, 187 Id. 362.

<sup>7</sup> *Good v. Harris*, 2 Ired. Eq. 630. See, also, for the same or nearly identical expression, *Newman v. James*, 12 Ala. 29; *Warren v. Haley*, 1 Sm. & Marsh. Ch. 647; *Heathman v. Hall*, 3 Ired. Eq. 414; *Griffith v. Griffith*, 5 B. Mon. 113.

<sup>8</sup> *Jamison v. Brady*, 6 S. & R. 466; *Snyder v. Snyder*, 10 Pa. 423; *Jarvis v. Prentice*, 19 Conn. 273; *Goodrum v. Goodrum*, 8 Ired. Eq. 313; *Cuthbert v. Wolfe*, 19 Ala. 373;

"for her sole use, benefit, and behoof;"<sup>1</sup> "absolutely;"<sup>2</sup> "her receipt to be a sufficient discharge;"<sup>3</sup> "to be paid to her when she is divorced from her husband or voluntarily withdraws from him;"<sup>4</sup> for the sole and only use and benefit of the wife.<sup>5</sup>

On the other hand, the following have been considered as insufficient to raise a trust: "to her use;"<sup>6</sup> "to her own use;"<sup>7</sup> "to her heirs and assignees, for her or their own sole use;"<sup>8</sup> "for her use and benefit;"<sup>9</sup> "but the said gift extends to no other person."<sup>10</sup>

Whether a provision that the property "is not to be liable to her husband's debts," will be enough to create a separate trust, cannot perhaps be declared with certainty, as the authorities are not uniform.<sup>11</sup>

The fact that the estate is given to the *feme jointly* with others will not prevent it from being an estate to the sole and separate use.<sup>12</sup>

It is obviously improper to lay down any authoritative rules by which all the decisions upon this subject can be reconciled. But the classification suggested in *Nix v. Bradley*<sup>13</sup> seems to be highly satisfactory. It was there said that the expressions whereby a separate estate could be created might be grouped into three classes: 1st. Where the technical words "sole and separate use," or equivalent words, are used. 2d. Where the marital rights are expressly excluded. 3d. Where the wife is empowered to perform acts concerning the estate given to her inconsistent with the disabilities of coverture.

*Stuart v. Kissam*, 2 Barb. 494; *Scott v. Bryan*, 194 Pa. 46.

<sup>1</sup> *Williman v. Holmes*, 4 Rich. Eq. 479.

<sup>2</sup> *Shewell v. Dwarries*, Johns. 172; *Brown v. Johnson*, 17 Ala. 232.

<sup>3</sup> *Lee v. Prieaux*, 3 Bro. Ch. 381; *Stanton v. Hall*, 2 R. & M. 180; *Charles v. Coker*, 2 S. C. 122.

<sup>4</sup> *Perry v. Boileau*, 10 S. & R. 208. <sup>5</sup> *Cadematori v. Gauger*, 160 Mo. 352.

<sup>6</sup> *Jacobs v. Amyatt*, 1 Mad. 376, n.; *Torbert v. Twining*, 1 Yeates, 432; *Tennant v. Stoney*, 1 Rich. Eq. 222.

<sup>7</sup> *Johnes v. Lockhart*, 3 Bro. Ch. 383, n.

<sup>8</sup> *Lewis v. Mathews*, L. R. 2 Eq. 177; but see *Williman v. Holmes*, 4 Rich. Eq. 475; *Rudisell v. Watson*, 2 Dev. Eq. 430; *Houston v. Embry*, 1 Sneed, 480. See, also, *Tyler v. Lake*, 4 Sim. 144.

<sup>9</sup> *Fears v. Brooks*, 12 Ga. 198; *Clevenstine's Appeal*, 15 Pa. 499.

<sup>10</sup> *Ashcraft v. Little*, 4 Ired. Eq. 236.

<sup>11</sup> *Gillespie v. Burleson*, 28 Ala. 551; *Lewis v. Elrod*, 38 Id. 17; *Martin v. Bell*, 9 Rich. Eq. 42; *Young v. Young*, 3 Jon. Eq. 216.

<sup>12</sup> *Metropolitan Bank v. Taylor*, 53 Mo. 444; *Burnley v. Thomas*, 63 Id. 392.

<sup>13</sup> 6 Rich. Eq. 48.

It must be remembered, moreover, that the *intent* to create a separate estate must exist, and that words, which might otherwise have been considered apt words to create a separate estate, will not have that effect, if it appears from the instrument that a separate use was not *intended* to be created. Thus in *Lippincott v. Mitchell*<sup>1</sup> the words "sole and proper use, benefit, and behoof" of the wife were relied upon as creating a separate estate. But these words occurred in the *habendum* of the deed, and were simply the ordinary conveyancing form of expression which occurs in that portion of the document. It was, therefore, held that no separate use was created.

### 101. Power of married women over separate estate.

It was said above, that the objects sought to be attained by the trusts now under consideration were very nearly defeated by the construction which the English Court of Chancery placed upon the authority and powers of the *feme* over property so limited. This construction was that a *feme covert* was, as to her sole and separate estate, to be regarded as a *feme sole*, and that therefore she had the same power of disposition over the estate, and was subject to the same liabilities in regard to it, as if she were unmarried.

Her power of disposing of her estate was settled by many authorities.

"The first case upon the subject," said Lord Thurlow in *Fettiplace v. Gorges*,<sup>2</sup> "is a very old one in Tothill; that when a woman from her separate stock has saved a sum of money, she may dispose of it. I know there is a vast number of cases upon it; but I have always thought it settled that from the moment a woman takes personal property to her sole and separate use, from the same moment she has the sole and separate right to dispose of it." And this right may be exercised by a disposition *inter vivos*;<sup>3</sup> or by will.<sup>4</sup> This power of disposition was formerly supposed to apply only to personalty, and to a life interest in realty; but it is now held in England that the *feme* is entitled to dispose of the *corpus* of her real estate;<sup>5</sup> and that, too, by will

<sup>1</sup> 94 U. S. 767. See, also, *MacConnell v. Wright*, 150 Pa. 275.

<sup>2</sup> 1 Ves. Jr. 48.

<sup>3</sup> *Wagstaff v. Smith*, 9 Ves. 520.

<sup>4</sup> *Rich v. Cockell*, 9 Ves. 369.

<sup>5</sup> *Taylor v. Meads*, 34 L. J. Ch. 203; 11 Jur. N. S. 166; 4 De G., J. & Sm. 597. See, also, *Hall v. Waterhouse*, 5 Giff. 64; *Pride v. Bubb*, L. R. 7 Ch. 64.

or by deed not acknowledged according to the formalities of the statute.<sup>1</sup> In other words, a gift of a fee-simple estate or a gift of a capital sum of money to the separate use of a married woman gives her the same power of alienation over it as if she were a single woman.<sup>2</sup> This was decided in the year 1865, in the leading case of *Taylor v. Meads*, just cited, and the rule upon the subject was there stated by the Chancellor (Lord Westbury) in the following language: "With respect to separate property, the *feme covert* is, by the form of trust, released and freed from the fetters and disability of coverture, and invested with the rights and powers of a person who is *sui juris*. To every estate and interest held by a person who is *sui juris* the common law attaches a right of alienation, and accordingly the right of a *feme covert* to dispose of her separate estate was recognized and admitted from the beginning until Lord Thurlow devised the clause against anticipation. But it would be contrary to the whole principle of the doctrine of separate use to require the consent or concurrence of the husband in the act or instrument by which the wife's separate estate is to be dealt with or disposed of. That would be to make her subject to his control or interference. The whole matter lies between a married woman and her trustees; and the true theory of her alienation is that any instrument, be it deed or writing, when signed by her, operates as a direction to the trustee to convey or hold the estate according to the new trust which is created by such direction. This is sufficient to convey the *feme covert's* equitable interest. When the trust thus created is clothed by the trustees with the legal estate, the alienation is complete both at law and in equity."

### 102. Liability of separate estate to her engagements.

The same line of reasoning, which induced the English courts of equity to recognize the *power* of a married woman to alienate her separate estate, has also led to a recognition of the liability of this estate to the engagements of the *feme*. The separate property of a married woman being a creature of equity, it follows that, if she has the power to deal with it, she has the

<sup>1</sup> *Taylor v. Meads*, 4 De G., J. & Sm. 597; *Hall v. Waterhouse*, 5 Giff. 64; *Pride v. Bubb*, L. R. 7 Ch. 64, and *Homœopathic Mut. Life*

*Ins. Co. v. Marshall*, 32 N. J. Eq. 103.

<sup>2</sup> *Per* Sir George Jessel, M. R., in *Cooper v. Macdonald*, 7 Ch. D. 293.

other power incident to property in general, viz., the power of contracting debts to be paid out of it; and equity will lay hold of the separate estate as the only means by which those debts can be satisfied.<sup>1</sup> This liability was at first supposed to exist only when the *feme* had executed some obligation under seal;<sup>2</sup> but the courts have now reached the conclusion that the same liability exists in respect of a mere verbal engagement, and that when a married woman enters into an agreement, she allows the supposition to be made that she intends to perform the agreement out of her property, and that she creates a debt which may be recovered, not by reaching her, but by reaching her property.<sup>3</sup> When a man contracts debts, both his person and his property are by law liable to the payment of them. A court of equity, having created a separate estate, has enabled a married woman to contract debts in respect of it.<sup>4</sup> Her person cannot be made liable, either in law or in equity,<sup>5</sup> but in equity her property may. A court of equity gives execution, therefore, against the property, just as a court of law gives execution against the property of other debtors. These are the views expressed by Lord Justice Turner, in *Johnson v. Gallagher*,<sup>6</sup> and must now be taken as the settled law of England upon the subject.<sup>7</sup> It must be here observed that the courts have not yet gone to the length of holding that a mere general engagement of a married woman

<sup>1</sup> *Hulme v. Tenant*, 1 Lead. Cas. Eq. 679 (481, 4th Eng. ed.); *Owens v. Dickinson*, 1 Cr. & Ph. 48; *Perkins v. Elliott*, 23 N. J. Eq. 529.

<sup>2</sup> *Hulme v. Tenant*, 1 Bro. C. C. 16.

<sup>3</sup> *Picard v. Hine*, L. R. 5 Ch. 274; *Johnson v. Gallagher*, 3 De G., F. & J., 494; *London Bank of Australia v. Lempriere*, L. R. 4 Priv. Coun. App. 572; *Murray v. Barlee*, 3 M. & K. 209; *Matthewman's Case*, L. R. 3 Eq. 781; *Shattock v. Shattock*, L. R. 2 Eq. 182.

<sup>4</sup> See *Price v. Planters' Nat. Bank*, 92 Va. 468.

<sup>5</sup> It had been decided in *Corbett v. Poelnitz*, 1 T. R. 5, that an action at common law would lie when the wife has a separate maintenance and lives apart from her husband, and receives

credit upon the possession of the estate, but this was subsequently overruled in *Marshall v. Ruttoa*, 8 T. R. 545.

<sup>6</sup> 3 De G., F. & J. 509.

<sup>7</sup> See the opinions of the Lord Chancellor, Hatherly; and of Lord Justice Sir G. M. Giffard, in *Picard v. Hine*, L. R. 5 Ch. 274. See, also, *London Bank of Australia v. Lempriere*, L. R. 4 Priv. C. App. 572; *Harvey's Estate* (*Godfrey v. Harben*), 13 Ch. Div. 216; *Hodgson v. Williamson*, 15 Id. 89; *In re Lady Hastings*, 35 Id. 101. A contract of a married woman, where it binds her separate estate, binds only that of which she was possessed at the time of the contract. *Pike v. Fitzgibbon*, 17 Ch. D. 454. In *Massachusetts*, see *Rogers v. Ward*, 8 Allen, 389.

will in all cases affect her separate estate.<sup>1</sup> On the contrary, it has been expressly decided that the contract of a married woman can be made good only out of the separate estate which is hers *at the time of the contract*; and this conclusively shows that the engagement is not to be treated, in all respects, as the undertaking of one *sui juris*.<sup>2</sup> The true view seems to be that such an engagement will be binding if it appears that it was made with reference to, and upon the faith and credit of, her separate estate; but that whether it was so or not is a question to be judged of by the court under all the circumstances of the case. The fact that the *feme* is living separate from her husband, and is known not to be receiving maintenance from him, is considered evidence to show that the contract was made with reference to her separate estate.<sup>3</sup>

It was at one time supposed that the contract of a *feme covert* operated as an appointment of her separate estate;<sup>4</sup> but this idea is now exploded,<sup>5</sup> as it is manifest that to hold such a doc-

<sup>1</sup> "The principle, as I have always understood it," said Sir George Jessel, M. R., in *Wainford v. Heyl*, L. R. 20 Eq. 324, "is this: a married woman is liable—or rather her separate estate is liable (for there is no personal liability as far as she is concerned)—to make good all contracts which are made by her with express reference to her separate estate, or which from the nature of the contract itself must be intended to be so referred; but she is not liable even for general contracts which cannot be referred; *a fortiori* she is not liable for general torts, but her husband is liable. Her separate estate may be liable for a fraud relating to the separate estate, that is, dealing with the separate estate by way of fraudulent representation. Again, the estate may be made liable for an actual appropriation of funds subject to the same settlement and the same trusts which create the separate estate. That, I understand, is the decision in *Clive v. Carew*, 1 J. & H. 199. But apart from such cases as these, one cannot

conceive why she should be made liable for general torts in reference to trusts any more than for general torts at law."

<sup>2</sup> *Pike v. Fitzgibbon*, 17 Ch. D. 454; *King v. Lucas*, 23 Id. 712; *Ankeney v. Hannon*, 147 U. S. 130; *Filler v. Tyler*, 91 Va. 458.

<sup>3</sup> *Picard v. Hine*; *Johnson v. Gallagher*, *ut sup.*; *Johnson v. Cummins*, 16 N. J. Eq. 97, and *Harrison v. Stewart*, 18 Id. 451. See *Dodge v. Knowles*, 114 U. S. 430, and *Chaffee v. Browne*, 109 Cal. 211.

<sup>4</sup> *Clark v. Miller*, 2 Atk. 379; *Murray v. Barlee*, 4 Sim. 82, by Sir L. Shadwell, V. C.

<sup>5</sup> *Johnson v. Gallagher (supra)*; *In re Roper*, 39 Ch. D. 482. A debt contracted by a married woman, payable out of her separate estate, is barred by the same lapse of time in which an ordinary debt arising from a simple contract would be barred by the Statute of Limitations, the Court of Chancery acting herein by analogy. *In re Lady Hastings*, 35 Ch. D. 94.



trine would lead to the conclusion that the debts were to be paid in the order of their creation, whereas they all stand on an equal footing, and are paid *pari passu*.<sup>1</sup>

### 103. Rules in the United States upon this subject.

In the United States the decisions upon the power of a *feme covert* over her separate estate, and its liability to her engagements, have not been uniform. The first departure from the English rule was in South Carolina, in the year 1811. In the case of *Ewing v. Smith*<sup>2</sup> the Court of Appeals (overruling the decision of Chancellor Dessausure) held that a *feme covert* had no powers over her separate estate except those which had been given to her by the trust instrument, and that the powers conferred must be strictly pursued. This decision, with the exception of a doubt expressed in 1826,<sup>3</sup> has been steadfastly adhered to in subsequent cases.<sup>4</sup> The same rule was established in Pennsylvania, in the leading case of *Lancaster v. Dolan*,<sup>5</sup> and was upheld and enforced in subsequent decisions.<sup>6</sup> It was, indeed, held in that state, in *Haines v. Ellis*,<sup>7</sup> that the law had been altered by the Married Women's Act of 1848; but this decision was subsequently overruled.<sup>8</sup> In the authorities just

<sup>1</sup> *Murray v. Barlee*, 3 M. & K. 209, reversing the Vice-Chancellor in 4 Sim. 82; *Owens v. Dickinson*, 1 Cr. & Ph. 48. The decision of Lord Eldon, in *Nantes v. Corrock*, 9 Ves. 189, that the stock of a *feme covert* was not bound by her engagements because it was not liable to execution, also shows that the liability is not by way of appointment, for if it were, the circumstance that stock was a species of property not liable to execution would be entirely immaterial.

<sup>2</sup> 3 Dessaus. 417.

<sup>3</sup> *Frazier's Trustees v. Center*, 1 McCord Ch. 270, 275.

<sup>4</sup> *Magwood v. Johnston*, 1 Hill Ch. 228; *Robinson v. Dart's Ex'rs*, Dudley's Eq. 128, 131; *Reid v. Lamar*, 1 Strobb. Eq. 27; *Wallace v. Craig*, 27 S. C. 514.

<sup>5</sup> 1 Rawle, 231. It was decided in *Thomas v. Folwell*, 2 Wharton, 11,

that a married woman could not devise an estate settled to her separate use if no power to do so was conferred by the trust instrument. This decision has been followed in *Cobb's Appeal*, 168 Pa. 175.

<sup>6</sup> *Rogers v. Smith*, 4 Pa. 93; *Thomas v. Folwell*, 2 Whart. 11; *Wallace v. Coston*, 9 Watts, 137; *Cochran v. O'Hern*, 4 W. & S. 95; *Lyne's Ex'rs v. Crouse*, 1 Pa. 111; *Jones's Appeal*, 57 Pa. 369; *McMullen v. Beatty*, 56 Id. 389; *West v. West*, 10 S. & R. 445; *Holliday v. Hively*, 198 Pa. 335; *Hays's Estate*, 201 Id. 394. See *Maurer's Appeal*, 86 Pa. 380.

<sup>7</sup> 24 Pa. 253.

<sup>8</sup> *Penna. Ins. Co. v. Foster*, 35 Pa. 134; *Wright v. Brown*, 44 Id. 224; *Shonk v. Brown*, 61 Id. 320. A similar ruling has been made as to the Married Persons' Property Acts of

cited it was said that there is a manifest difference between the *legal* separate estate, which is due to the provisions of the statute, and the *equitable* separate estate, which is the creature of Courts of Equity; and this view seems to be taken, also, by the courts in Illinois,<sup>1</sup> and, after some fluctuation, by those in Alabama.<sup>2</sup> But a different opinion on the subject has been entertained in other states, and the general tendency of the decisions is, perhaps, to put estates of both kinds, so far as regards the power of the *feme* over them, upon the same footing.<sup>3</sup> The South Carolina rule was, however, adopted in Rhode Island,<sup>4</sup> Tennessee,<sup>5</sup> Mississippi,<sup>6</sup> Illinois,<sup>7</sup> and, formerly, in Maryland.<sup>8</sup> It has quite recently been expressly reiterated in North Carolina.<sup>9</sup> It was also recognized, to a limited extent, in Ohio.<sup>10</sup>

On the other hand, the English rule has been followed in a number of the states. It was adopted in New York in *Jaques v. The Methodist Church*,<sup>11</sup> overruling Chancellor Kent, who had decided the other way,<sup>12</sup> and has been recognized in very

1887 and 1893. See *MacConnell v. Lindsay*, 131 Pa. 476; *Cobb's Appeal*, 168 Id. 175; *Hays v. Leonard*, 155 Id. 474, and *Holliday v. Hively*, 198 Id. 342. Upon this point *MacConnell v. Lindsay* is not overruled by *MacConnell v. Wright*, 150 Id. 275.

<sup>1</sup> *Cookson v. Toole*, 59 Ill. 515; *Bressler v. Kent*, 61 Id. 426; *Cole v. Van Riper*, 44 Id. 58; *Carpenter v. Mitchell*, 50 Id. 470; *Rogers v. Higgins*, 48 Id. 211.

<sup>2</sup> See *Short v. Battle*, 52 Ala. 456, overruling *Molton v. Martin*, 43 Id. 651; *Glenn v. Glenn*, 47 Id. 204, and *Denechaud v. Berrey*, 48 Id. 591. See *Lippincott v. Mitchell*, 94 U. S. 767.

<sup>3</sup> *Yale v. Dederer*, 18 N. Y. 265; *Ballin v. Dillaye*, 37 Id. 35; *Peake v. La Baw*, 21 N. J. Eq. 282; *Willard v. Eastham*, 15 Gray, 328.

<sup>4</sup> *Metcalf v. Cook*, 2 R. I. 355.

<sup>5</sup> *Marshall v. Stevens*, 8 Humph. 159; *Hart v. Bayliss*, 97 Tenn. 72. See, however, *Young v. Young*, 7 Cold. 461.

<sup>6</sup> *Doty v. Mitchell*, 9 Sm. & M. 435.

<sup>7</sup> *Swift v. Castle*, 23 Ill. 209; *Bressler v. Kent*, 61 Id. 426, overruling *Young v. Graff*, 28 Id. 20; *Ennor v. Hodson*, 134 Id. 32.

<sup>8</sup> *Miller v. Williamson*, 5 Md. 219; *Tarr v. Williams*, 4 Md. Ch. 68; but see *Cooke v. Husbands*, 11 Md. 492. See, also, the American note to *Hulme v. Tenant*, 1 Lead. Cas. Eq. 741; *Hill on Trustees*, 657 (4th Am. ed.); and *Perry on Trusts*, § 655.

<sup>9</sup> *Kirby v. Boyette*, 116 N. C. 167; 118 Id. 244. See, in this connection, *Newlin v. Freeman*, 4 Ired. Eq. 312.

<sup>10</sup> *Machir v. Burroughs*, 14 Ohio St. 519.

<sup>11</sup> 17 Johns. R. 548. See, also, *Dyett v. North Am. Coal Co.*, 20 Wend. 570; *Powell v. Murray*, 2 Edw. Ch. 636; *Albany Ins. Co. v. Bay*, 4 Conn. 9; *Gardner v. Gardner*, 7 Paige Ch. 112; *Cumming v. Williamson*, 1 Sandf. Ch. 17; *Curtis v. Engel*, 2 Id. 287; *Mallory v. Vanderheyden*, 3 Barb. Ch. 10; 1 Const. 453.

<sup>12</sup> 3 Johns. Ch. 78.

recent decisions.<sup>1</sup> It has been followed in New Jersey,<sup>2</sup> Connecticut,<sup>3</sup> Kentucky,<sup>4</sup> Virginia,<sup>5</sup> Alabama,<sup>6</sup> Georgia,<sup>7</sup> Missouri,<sup>8</sup> Minnesota,<sup>9</sup> Maryland,<sup>10</sup> and California;<sup>11</sup> and also in Vermont (to a certain extent),<sup>12</sup> and in Florida.<sup>13</sup> It has likewise been followed in the Federal courts.<sup>14</sup> The above states, too, have followed substantially the English rule upon the subject of the liability of the estates of *femas covert* to their separate engagements.<sup>15</sup> And of late years the doctrine has been pushed

<sup>1</sup> See *Dyett v. Central Trust Co.*, 140 N. Y. 54. See, also, *Yale v. Dederer*, 18 N. Y. 265; 22 Id. 456.

<sup>2</sup> *Leaycraft v. Hedden*, 3 Green Ch. 512; *Perkins v. Elliott*, 23 N. J. Eq. 529.

<sup>3</sup> *Imlay v. Huntington*, 20 Conn. 175.

<sup>4</sup> *Coleman v. Wooley*, 10 B. Mon. 320; *Burch v. Breckenridge*, 16 Id. 482. This subject is now regulated by statute in this state.

<sup>5</sup> *Visonneau v. Pegram*, 2 Leigh, 183; *Mansy v. Mansy*, 79 Va. 537.

<sup>6</sup> *Bradford v. Greenway*, 17 Ala. 805; *Jenkins v. McConico*, 26 Id. 213; *Smyth v. Fitzsimmons*, 97 Id. 451. See *Scharf v. Moore*, 102 Id. 468, as to the effect of the code.

<sup>7</sup> *Fears v. Brooks*, 12 Ga. 200; *Dallas v. Heard*, 32 Id. 604. By statute, *Kile v. Fleming*, 78 Ga. 1.

<sup>8</sup> *Kimm v. Weippert*, 46 Mo. 532; *Cadematori v. Gauger*, 160 Id. 352; *Rysland v. Banks*, 151 Id. 1.

<sup>9</sup> *Pond v. Carpenter*, 12 Minn. 430.

<sup>10</sup> *Buchanan v. Turner*, 26 Md. 5.

<sup>11</sup> *Miller v. Newton*, 23 Cal. 554.

<sup>12</sup> *Frary v. Booth*, 37 Vt. 78.

<sup>13</sup> *Lewis v. Yale*, 4 Fla. 418.

<sup>14</sup> *Obbever v. Wilson*, 9 Wall. 119. See *Ankeney v. Hannon*, 147 U. S. 118, where the subject is fully discussed.

<sup>15</sup> *Gunter v. Williams*, 40 Ala. 572; *Armstrong v. Ross*, 20 N. J. Eq. 109; *Van Kirk v. Skillman*, 34 N. J. L. 109; *Butchelder v. Sargent*, 47 N. H. 265; *Imlay v. Huntington*, 20 Conn.

175; *Cooke v. Husbands*, 11 Md. 492; *Penn v. Whitehead*, 17 Gratt. 503; *Frazier v. Brownlow*, 3 Ired. Eq. 237 (but not for general engagements, *Knox v. Jordan*, 5 Jones' Eq. 178); *Bradford v. Greenway*, 17 Ala. 797; *Osley v. Ikelheimer*, 26 Id. 332; *Lillard v. Turner*, 16 B. Mon. 374; *Burch v. Breckenridge*, Id. 482; *Harris v. Harris*, 7 Ired. Eq. 111; *Whitesides v. Cannon*, 23 Mo. 457; *Schafroth v. Amba*, 46 Id. 114; *Miller v. Brown*, 47 Id. 504; *Lewis v. Yale*, 4 Fla. 418; *Robert v. West*, 15 Ga. 123; *Dallas v. Heard*, 32 Id. 604. In New York, see *Yale v. Dederer* (*supra*); *Ballin v. Dillaye*, 37 N. Y. 35; *Corn Exchange Ins. Co. v. Babcock*, 42 Id. 614; *Maxon v. Scott*, 55 Id. 247; *Rohrbach v. Ins. Co.*, 62 Id. 47; *Manhattan, etc., Co. v. Thompson*, 58 Id. 80; *Corbin v. Cantrell*, 64 Id. 217. In Wisconsin, *Todd v. Lee*, 15 Wis. 365; 16 Id. 480. In Tennessee, see *Hughes v. Peters*, 1 Cold. 67. A good deal of discussion has taken place, of late years, as to how far the separate estate of a married woman under the statutes in the different states is chargeable with her engagements. The authorities upon the subject will be found collected and examined in the American note to *Hulme v. Tenant*, 1 Lead. Cas. Eq. 756 *et seq.* (4th Am. ed.). See also *Deering v. Boyle*, 8 Kan. 525; *Wicks v. Mitchell*, 9 Id. 80; *Whiteley v. Stewart*, 63 Mo. 363; *Cookson v. Toole*, 59 Ill. 515; *Halley v. Ball*, 66 Id. 260;

in some states to great lengths. Thus, it is now settled in Missouri that when a married woman gives a promissory note the law implies, *in the absence of proof to the contrary*, an intention to bind her separate estate; and although it is permissible to show that no such intention existed, yet such intention *not* to bind the separate estate must appear on the face of the instrument, otherwise the estate will be charged.<sup>1</sup>

On the other hand, it has been expressly decided in Virginia that the note, or other general engagement, of a married woman owning separate estate creates no specific lien on such estate.<sup>2</sup>

Those states which were mentioned as having followed the lead of the South Carolina case of *Ewing v. Smith*, in regard to the power of a married woman to *convey* her separate estate, have also generally refused to adopt the English rule upon the subject of the *feme's* power to bind it by contract.<sup>3</sup> In South Carolina, Ohio, and Massachusetts, however, the separate estate is chargeable for debts contracted on its account and for its use, but not for the general engagements of the *feme*.<sup>4</sup>

#### 104. Restraints on Anticipation.

The English rule above stated, in reference to the powers of a *feme covert* over her separate estate, and the liability of that estate to her engagements, naturally led to some plan by which the operation of the rule could be avoided, and the will of the donor carried out by giving the married woman the property in such a way that it would be protected against herself (so to speak) and her creditors, as well as against her husband and his indebtedness. The plan adopted was the insertion, in the trust instrument, of the clause against anticipation which was first invented by Lord Thurlow, and used in drawing Miss Watson's

*Haight v. McVeagh*, 69 Id. 624; *Husband v. Epling*, 81 Id. 172.

<sup>1</sup> *Kimm v. Weippert*, 46 Mo. 532; *Metropolitan Bank v. Taylor*, 62 Id. 340; *Burnley v. Thomas*, 63 Id. 390. See, also, *Gage v. Gates*, 62 Id. 412, as to the means of enforcing the charge.

<sup>2</sup> *French v. Waterman*, 79 Va. 617.

<sup>3</sup> *Lancaster v. Dolan*, 1 Rawle, 231; *Metcalf v. Cook*, 2 R. I. 355; *Litton v. Baldwin*, 8 Humph. 209; *Bailey v.*

*Pearson*, 9 Foster, 77; *Perry on Trusts*, § 661.

<sup>4</sup> *Magwood v. Johnston*, 1 Hill Eq. 228; *Cater v. Eveleigh*, 4 Dess. 19; *James v. Mayrant*, Id. 591; *Adams v. Mackey*, 6 Rich. Eq. 75; *Machir v. Burroughs*, 14 Ohio St. 519; *Willard v. Eastham*, 15 Gray, 328; *Rogers v. Ward*, 8 Allen, 388; *Tracy v. Keith*, 11 Id. 214. See *Heburn v. Warner*, 112 Mass. 271; *Taylor v. Barker*, 30 S. C. 238.

settlement.<sup>1</sup> This clause, viz., "not by way of anticipation," was held to be effective in imposing a restraint upon alienation,<sup>2</sup> and became the usual language in settlements. No particular form of words is, however, necessary. It is enough if the intention to impose the restraint be clearly expressed,<sup>3</sup> and the restraint may be implied when a different interpretation would defeat the purpose of the donor.<sup>4</sup> Thus, when it appeared that the paramount object of the will was to provide a fund for the support and maintenance of the testator's wife during her lifetime, and for the maintenance and education of his children, it was held that the power of alienation was impliedly but effectually forbidden;<sup>5</sup> and in *Nix v. Bradley* it was held that the same conclusion was to be drawn from the general language and scope of the will.<sup>6</sup>

The clause against anticipation, however, applies only to future income; it will not be operative to remove arrears of income from the control of the *feme* or from process at the suit of a creditor, as to arrears which have become due before the judgment.<sup>7</sup>

It will be observed that this restraint upon alienation is a violation of the ordinary rules of property, the general principle being that the power of alienation is a necessary and inseparable incident of ownership which cannot be taken away by any condition or stipulation in the grant. But, it being once settled that a wife might enjoy a separate estate as a *feme sole*, the laws of property attached to this new estate; and it was found, as part of such laws, that the power of alienation belonged to the wife, and was destructive of the security intended for her estate. Equity again interfered, and by another violation of the laws of property, supported the validity of the prohibition against alienation.<sup>8</sup>

<sup>1</sup> Lewin, 956 (10th Eng. ed.). See, also, *Hood-Barrs v. Heriot* [1896], A. C. 174 (where a history of this clause is given), and *Bank v. James*, 95 Tenn. 8.

<sup>2</sup> *Parkes v. White*, 11 Ves. 221.

<sup>3</sup> *Notes to Hulme v. Tenant*, 1 Lead. Cas. Eq. 520.

<sup>4</sup> *Weeks v. Sego*, 9 Ga. 201; *Nixon v. Rose*, 12 Gratt. 425; *Perkins v. Hays*, 3 Gray, 405; *Nix v. Bradley*, 6 Rich. Eq. 43.

<sup>5</sup> *Perkins v. Hays*, 3 Gray, 405.

<sup>6</sup> 6 Rich. Eq. 43.

<sup>7</sup> *Hood-Barrs v. Heriot* [1896], A. C. 174, reversing Lord Esher, M. R., in *Loftus v. Heriot* [1895], 2 Q. B. 212. See *Hood-Barrs v. Cathcart* [1894], 2 Q. B. 559. In *Hays's Estate*, 201 Pa. 391, it was held that under proper language for payment of income solely upon the woman's own receipt, income accrued but not paid over was not liable to attachment in the hands of the trustees.

<sup>8</sup> By Lord Cottenham, in *Tullett v.*

### 105. For whose benefit separate estates may be created.

An important question which naturally presents itself in regard to these trusts is, "For whose benefit can they be created?" For it is obvious that the trust may be attempted to be created for the benefit either of a woman *covert* at the time, or in contemplation (more or less immediate) of coverture, or without any such contemplation; and the question arises, Is there any distinction between these cases? In other words, can a sole and separate use be limited to a *feme sole* which will come into operation whenever coverture takes place; or can the trust be called into being merely for the benefit of a woman actually married at the time of its creation?

In England this question was considered in the year 1834, in the case of *Massey v. Parker*.<sup>1</sup> It was there decided that where a trust of this description was created for the benefit of a *feme sole*, it would, upon her marriage, be ineffectual to debar her husband from his marital rights. This decision, which was made by Lord Cottenham when Master of the Rolls,<sup>2</sup> was, however, afterwards overruled by the same judge, as Chancellor, in the subsequent case of *Tullett v. Armstrong*,<sup>3</sup> where the rule was laid down that a valid separate trust could be created for the benefit of a woman, unmarried at the time, which would come into active operation whenever a marriage took place; and which, moreover, would not cease entirely upon discovery, but would revive and again take effect upon a subsequent marriage. This rule has been adhered to in England, and is now firmly established by many decisions.

But it must here be remarked that while a trust for the sole and separate use of a *feme* may be created when she is *sole*, yet, if she chooses to make any disposition of the property before coverture, she is at liberty to do so; and that no restraint upon her power of alienation will be tolerated if she elects to exercise that power before she becomes *covert*. In other words, a *feme* when *discover* has the same power over an estate limited to her sole and separate use, as any other person *sui juris*; she

*Armstrong*, 4 My. & Cr. 405. See, also, *Nickell v. Handly*, 10 Gratt. 336. In England, by sec. 31 of the "Conveyancing and Law of Property" Act of 1881, the court is given discretionary power to authorize a married woman "to bind her interest

in any property," notwithstanding a restraint upon anticipation. See *In re Little*, 40 Ch. D. 423.

<sup>1</sup> 2 M. & K. 174.

<sup>2</sup> Sir C. Pepys.

<sup>3</sup> 4 M. & Cr. 377.

has the option of determining the trust when unmarried; if she does not choose so to determine it, it will attach upon the first or any subsequent coverture.<sup>1</sup>

#### 106. Rules in the United States upon this subject.

The decision in *Massey v. Parker* has been followed in Pennsylvania,<sup>2</sup> in Arkansas,<sup>3</sup> in North Carolina,<sup>4</sup> and in Massachusetts.<sup>5</sup> In the first-named state it must now be considered the settled law that a separate use trust cannot be created except for a married woman, or one in immediate contemplation of marriage,<sup>6</sup> and that it ceases on *discoverture*,<sup>7</sup> and does not revive on a second marriage.<sup>8</sup> Whether "immediate contemplation of marriage" may or may not exist in any particular case, must, it is evident, be a question of fact not always easy to determine. It has been said that the creation of the trust constitutes the evidence of the fact being in the contemplation of the donor or deviser, and when this is followed within a reasonable time by consummation of the marriage, it concludes the proof.<sup>9</sup>

But in other states of the Union the present English rule has been adopted.<sup>10</sup>

#### 107. General conclusions; Lewin's propositions.

The restraint upon alienation, of course, will not prevent

<sup>1</sup> See, in this connection, the case of *Wright v. Wright*, 2 Johns. & H. 647.

<sup>2</sup> *Hamersley v. Smith*, 4 Whart. 126; *Smith v. Starr*, 3 Id. 62.

<sup>3</sup> *Lindsay v. Harrison*, 3 Eng. 311.

<sup>4</sup> *Apple v. Allen*, 3 Jones' Eq. 120; though see *Bridges v. Wilkins*, Id. 342.

<sup>5</sup> *Moore v. Stinson*, 144 Mass. 504.

<sup>6</sup> *McBride v. Smyth*, 54 Pa. 245; *Snyder's Appeal*, 92 Id. 504; *Neal's Appeal*, 104 Id. 214. See *Quin's Estate*, 144 Id. 449 (where a very full history of the law on this point is given), and *King's Estate*, 147 Pa. 410, where a trust for the testator's widow was held not to be a "sole and separate" use.

<sup>7</sup> Or on divorce, *Koenig's Appeal*

57 Pa. 352; *Lee's Estate*, 207 Id. 218; but not on mere desertion by the husband; *People's S. Bank v. Denig*, 131 Id. 253. See, also, *Carswell v. Lovett*, 80 Ga. 36.

<sup>8</sup> *Hamersley v. Smith*, 4 Whart. 126; *Bush's Appeal*, 33 Pa. 85; *McKee v. McKinley*, Id. 92; *Freyvogel v. Hughes*, 56 Id. 228; *Kuntzleman's Estate*, 136 Id. 151. See, in this connection, *O'Brien v. Ash*, 169 Mo. 283.

<sup>9</sup> *Wells v. McCall*, 64 Pa. 207; *Springer v. Arundel*, Id. 218; *Ogden's Appeal*, 70 Id. 501.

<sup>10</sup> *Beaufort v. Collier*, 6 Humph. 487; *Shirley v. Shirley*, 9 Paige Ch. 263; *Fellows v. Tann*, 9 Ala. 1008; *Stagers v. Tazewell*, 9 Md. 291; *Stagers v. Matthews*, 13 Rich. Eq. 154.

the *feme* from disposing of the property settled to her separate use, if she chooses to do so before marriage, or in the interval between different covertures; but the restraint will attach whenever coverture takes place. This is the English rule. But in those states where the separate use can only be created for the benefit of women who are either actually married, or in immediate contemplation of matrimony, the clause in regard to anticipation is subject to the same rules, and it will be ineffectual except in the two specified cases.

The law upon this subject may, perhaps, be summed up in the questions propounded by Lewin, and in the answers thereto—as follows:—

1. Can property given to the separate use of a woman be disposed of by her before her marriage? This must be answered in the affirmative.

2. If the property is not so disposed of, does the separate use clause come into effective operation upon first and subsequent covertures? This must also be answered in the affirmative.

3. Is the clause against anticipation valid? It is.

It may be added that under the most recent English authorities, the trust for the sole and separate use extends to the absolute interest in personalty, and to the *corpus*, as well as to the income of real estate.<sup>1</sup>

If a married woman dies without having disposed of her separate estate by will, her husband, except when controlled by statute, will take the same interest therein as he does in her legal or ordinary equitable estates.<sup>2</sup>

### 108. Pin-money trusts.

Akin to trusts for the separate use of married women, are what are known as “pin-money” trusts.

Pin-money may be defined to be a yearly allowance settled by the husband upon the wife, for her clothes or other separate personal expenses; and its principal incident is that its purpose is expenditure, and not accumulation. Hence, if a married woman suffers this allowance to remain unpaid for several years, she

See *Winchester v. Machen*, 75 Md. 538.

<sup>1</sup> *Taylor v. Meads*, 4 De G. J., & S. 597.

<sup>2</sup> *Stewart v. Stewart*, 7 Johns. Ch.

229; *Faries's Appeal*, 23 Pa. 29; *Donnington v. Mitchell*, 1 Green Ch. 239; *Cooney v. Woodburn*, 33 Md. 320; *Perry on Trusts*, § 668



will be unable to recover more than one year's arrears from her husband or his estate; for the reason that, as this allowance is designed to be appropriated for her personal expenses, it must be presumed that if she has not drawn upon this fund, she has been supplied by her husband from other sources, and that it would therefore be unjust, after he has once supplied her wants, from time to time, to hold him responsible for the accumulation of her allowance, and thus, in effect, compel him to pay it twice. When, however, the wife's allowance has, in point of fact, been paid short, she may recover the accumulations.<sup>1</sup> On the other hand, where it appears that the husband has actually paid for his wife's expenses, she cannot even recover the one year's arrears. Nor can the wife's executors recover from the husband or his estate even one year's arrears; because the allowance is entirely personal with the wife, and the reason for its payment ceases with her death.

The leading case upon the subject is *Howard v. Digby*,<sup>2</sup> where the principles applicable to this species of trust will be found discussed.

As to arrears of the wife's separate income other than pin-money, the rule is different. When the husband and wife have lived together, the latter cannot charge her husband or his estate, as her debtor, for arrears of separate income which she has permitted him to receive. The court will not give any account against the husband or his representatives in respect of arrears of the wife's separate income, not pin-money, received by him with her express or implied permission.<sup>3</sup>

### 109. Wife's equity to a settlement.

It has been already mentioned that the right of the husband to his wife's property is subject to this qualification, viz., that if for the purpose of reaching her equitable property he is obliged to go into Chancery, equity will compel him at her request to make a suitable provision for herself and her children.

### 110. How enforced.

It had been at first supposed that this right of the wife was

<sup>1</sup> *Ridout v. Lewis*, 1 Atk. 269.

<sup>2</sup> 8 Bligh N. R. 224. As to the wife's *paraphernalia* and what jewels and other articles are included in the term, see *Graham v. Londonderry*,

3 Atk. 393, and note to *Hulme v. Tenant*, 1 Lead. Cas. Eq. 538 *et seq.*

<sup>3</sup> *Edward v. Cheyne*, 13 App. Cas. 398.

of a passive rather than an active nature, and while capable of being enforced in a suit in which the husband was complainant, and which had been instituted by him for the purpose of getting in his wife's equitable *choses in action*, could not be actively asserted by the wife herself as plaintiff. This idea, however, was dissipated by the leading case of *Elibank v. Montolieu*,<sup>1</sup> and it was there held that the wife could come into Chancery as complainant for the purpose of having a settlement made.

The better opinion is that the same rule exists in the United States.<sup>2</sup>

Where, however, the property out of which a settlement is sought is real estate, the wife, it is said, cannot come in as plaintiff.<sup>3</sup> But in a case in Vermont, a settlement was allowed the wife out of realty—and this, too, although it was *not* an equitable estate.<sup>4</sup>

In the United States, also, settlements have, in some cases, been compelled, when actions have been brought to recover the wife's property in the common-law courts.<sup>5</sup>

This equity is believed to exist in all of the United States except New Hampshire and North Carolina, and it has also been recognized in the Federal courts.<sup>6</sup> In those states where the property of married women is secured to them by statute,

<sup>1</sup> 5 Ves. 737.

<sup>2</sup> Hill on Trustees, 632 (4th Am. ed.); Perry on Trusts, § 629; Kenney v. Udall, 5 Johns. Ch. 464; Udall v. Kenney, 3 Cow. 590; Brown v. Wadsworth, 168 N. Y. 225; Dearin v. Fitzpatrick, Meigs, 551; Poindexter v. Jeffries, 15 Gratt. 363, and the dicta in many cases cited in the American note to Murray v. Lord Elibank, 1 Lead. Cas. Eq. 670. See, however, Jackson v. Hill, 25 Ark. 223.

<sup>3</sup> Gleaves v. Paine, 1 De G. J., & Sm. 87.

<sup>4</sup> Curtis v. Simpson, 72 Vt. 232.

<sup>5</sup> Rees v. Waters, 9 Watts, 94; Perry on Trusts, § 629.

<sup>6</sup> Ward v. Amory, 1 Curtis, 432; Tucker v. Andrews, 13 Me. 124; Short v. Moore, 10 Vt. 446; Howard v. Moffatt, 2 Johns. Ch. 206; Wiles

v. Wiles, 3 Md. 1; Poindexter v. Jeffries, 15 Gratt. 363; Durr v. Bowyer, 2 McCord's Ch. 368; Andrews v. Jones, 10 Ala. 401; Davis v. Newton, 6 Met. 537; Chase v. Palmer, 25 Me. 342; Wilks v. Fitzpatrick, 1 Humph. 54; Coppedge v. Threadgill, 3 Sneed, 577; Gould v. Gould, 16 Ala. 132; James v. Gibbs, P. & H. 277; Lay v. Brown, 13 B. Mon. 295; Barron v. Barron, 24 Vt. 375; Page v. Estes, 15 Pick. 369; Gardner v. Hooper, 3 Gray, 398. In North Carolina, see Bryan v. Bryan, 1 Dev. Eq. 47; Lassiter v. Dawson, 2 Id. 383. In Pennsylvania it is enforced by preventing a recovery in a legal action, unless upon the terms of making a suitable provision for the wife. Rees v. Waters, 9 Watts, 94. In New Hampshire it has not been recog-

the reasons for the existence of this right have passed away; and as such statutes exist in nearly all of the states of the Union, the subject is not of such practical importance as formerly;<sup>1</sup> and in England, also, the Married Woman's Property Act of 1882<sup>2</sup> and 1893, have greatly diminished the necessity for the application of this doctrine. It is still, however, proper to say a few words concerning the wife's "equity to a settlement" (as it is termed), and to notice how it may be enforced, out of what property, against whom, and for whose benefit.

When property of a married woman is vested in trustees, they may with perfect safety hand over the same to her husband, and take his receipt therefor, except, of course, in the case of property settled to her separate use;<sup>3</sup> or where the common-law rule has been altered by statute. But the trustees may, if they choose, refuse to make payment to the husband; who is then obliged, in order to get in the fund, to come into court and to submit to his wife's right to a settlement. In such a case the trustees will not be liable to costs. The wife's equity to a settlement will also be recognized by the courts, in bills filed by the creditors of the husband to reach the wife's *choses in action*.<sup>4</sup>

If the husband has become the purchaser, as it were, of his wife's property by settlement before marriage, he will not be compelled to make any allowance for her out of her equitable funds. In such a case he is considered to have acquired a right to the whole of his wife's fortune, not only by virtue of his marital right, but by purchase for value.<sup>5</sup> This rule, however, does not apply to property which the *feme* acquires subsequent to the coverture, and which is not included in the contemplated settlement. Out of this property she is entitled to her equity to a settlement.<sup>6</sup> Nor will the *feme* be deprived of this equity by a voluntary settlement *after* marriage.<sup>7</sup>

nized. *Parsons v. Parsons*, 9 N. H. 309; *Hill on Trustees*, 631 (4th Am. ed.); notes to *Murray v. Lord Elibank*, 1 Lead. Cas. Eq. 670.

<sup>1</sup> See *Perry on Trusts*, § 645, note 9.

<sup>2</sup> 45 and 46 Vict., c. 75; 56 and 57 Id., c. 63 (*supra*, p. 164).

<sup>3</sup> *Perry on Trusts*, § 627.

<sup>4</sup> *Smith v. Kane*, 2 Paige Ch. 303; 1 Lead. Cas. Eq. 496.

<sup>5</sup> *Perry on Trusts*, § 635; *Erskine's Trusts*, 1 K. & J. 302.

<sup>6</sup> *Garforth v. Bradley*, 2 Ves. 677. See *Matter of Beresford*, 1 Dess. 263.

<sup>7</sup> *Hill on Trustees*, 409; though see *Dunkley v. Dunkley*, 2 De G. M., & G. 390; and *Matter of Beresford*, 1 Dess. 263.

The wife cannot claim a settlement if she has an adequate provision already.<sup>1</sup>

If a woman at the time of her marriage owes more than the amount of her property, she will not be entitled to a settlement;<sup>2</sup> but if the property exceeds the amount of her debts, she may be entitled to a settlement after provision has been made for the payment of her debts.<sup>3</sup>

A married woman may preclude herself from claiming her equity to a settlement by fraud,<sup>4</sup> or by improper conduct, such as adultery.<sup>5</sup>

### 111. How waived.

The wife may waive her right to a settlement, unless her children have already acquired an interest therein. This waiver takes place on a separate examination of the wife, by which it is ascertained that her consent is given of her own free will, and is not obtained from her by fraud or force.<sup>6</sup> This consent cannot be taken if the wife is an infant.<sup>7</sup>

### 112. To what property it attaches.

It is well settled that the equity to a settlement will attach to real estate, and to chattels real as well as to personal property; and it will attach to any property which becomes the subject of an equitable suit, even though it is legal in its nature.<sup>8</sup>

The equity to a settlement exists in respect of the wife's life interest as against an insolvent or bankrupt husband, or as against his general assignee in bankruptcy or insolvency.<sup>9</sup> But not as against her husband who supports her; or as against his particular assignee for value,<sup>10</sup> even if he does not support her.

<sup>1</sup> Notes to *Murray v. Lord Elibank*,  
1 Lead. Cas. Eq. 670.

<sup>2</sup> *Bonner v. Bonner*, 17 Beav. 86.

<sup>3</sup> *Barnard v. Ford*, L. R. 4 Ch. 247.

<sup>4</sup> *Lush's Trusts*, L. R. 4 Ch. 591.

<sup>5</sup> *Carr v. Eastabrooke*, 4 Ves. 146;  
*In re Lewin's Trust*, 20 Beav. 378.

<sup>6</sup> *Beaumont v. Carter*, 32 Beav. 586; 1 Lead. Cas. Eq. 468 (4th Eng. ed.). Examinations of a similar character are prescribed by statute in many states where a conveyance of the real estate of a *feme covert* is made.

<sup>7</sup> *Stubbs v. Sargon*, 2 Beav. 496;  
*Abraham v. Newcombe*, 12 Sim. 566.  
See, however, *Jennings v. Jennings*, 2 Heisk. 283.

<sup>8</sup> *Perry on Trusts*, § 633.

<sup>9</sup> *Sturgis v. Champneys*, 5 My. & Cr. 97; *Vaughan v. Buck*, 1 Sim. N. R. 284; *Ruffles v. Alston*, L. R. 19 Eq. 539. See *Beeman v. Cowser*, 22 Ark. 429; *Perry on Trusts*, § 634.

<sup>10</sup> *Tidd v. Lister*, 10 Hare, 140; 3 De G., M. & G. 857. See *Sims v. Spalding*, 2 Duval, 121.

The assignment of the wife's life interest will be good only during coverture, and will not bind her if she survives.

The court will not order a settlement of reversionary personal property of the wife.<sup>1</sup>

The court will not ordinarily settle the whole fund upon the wife. A half is considered a fair settlement.<sup>2</sup> The *whole* may, however, be settled under special circumstances.<sup>3</sup>

### 113. Against whom, and in whose favor.

This equity is enforceable as against the husband and all persons claiming under him, whether they are assignees for value,<sup>4</sup> or voluntary assignees, or assignees in bankruptcy.<sup>5</sup> And this equity is paramount to the right of set-off which an executor or administrator, from whom a legacy or distributive share is due to the wife, has by reason of any indebtedness of the husband to the estate.<sup>6</sup> This, however, must be subject to the qualification noticed above, that where the interest, out of which the settlement is sought, is a life estate, it cannot be enforced as against the husband if he supports the wife, or against his particular assignee for value. The reason of this exception is that the assignment of the life estate will be good only during coverture.<sup>7</sup>

The equity to a settlement is the privilege of the wife, and can be enforced only by her, and may be waived by her after a separate examination. Nevertheless, when made it will enure to the benefit of the children. The children, however, cannot assert the right themselves; and if the wife dies before decree, the husband will take.<sup>8</sup>

<sup>1</sup> Osborn v. Morgan, 9 Hare, 432.

<sup>2</sup> 1 Lead. Cas. Eq. 464 (4th Eng. ed.). The children will be provided for. Brown v. Wadsworth, 168 N. Y. 225.

<sup>3</sup> Perry on Trusts, § 636; Taunton v. Morris, L. R. 8 Ch. D. 453.

<sup>4</sup> Macaulay v. Philips, 4 Ves. 19; Haviland v. Bloom, 6 Johns. Ch. 180.

<sup>5</sup> Taunton v. Morris, L. R. 8 Ch. D. 453.

<sup>6</sup> See *In re Briant*, 39 Ch. D. 471. See, also, 1 Lead. Cas. Eq. 447; Perry on Trusts, § 632.

<sup>7</sup> As to the parties against whom

the wife's equity to a settlement will be enforced, see Kenney v. Udall, 5 Johns. Ch. 464; Udall v. Kenney, 3 Cow. 591; Hanland v. Myers, 6 Johns. Ch. 25; Page v. Estes, 19 Pick. 269; Phillips v. Hassell, 10 Humph. 197; Coppedge v. Threadgill, 3 Sneed, 577; Moore v. Moore, 14 B. Mon. 259; Durr v. Bowyer, 2 McCord Ch. 368; Duvall v. The Farmers' Bank, 4 G. & J. 283; Bennett v. Dillingham, 2 Dana, 436.

<sup>8</sup> Perry on Trusts, § 627; 1 Lead. Cas. Eq. 460.

When a person has committed a contempt by marrying a ward of the court, the court will order a settlement of her property to be made; and under such circumstances the settlement will be made to embrace her property of all kinds, legal as well as equitable, and will generally be of the whole estate.<sup>1</sup> So, when the husband has misbehaved, or has become utterly insolvent, settlements of purely legal property have been enforced. So also it is a settled doctrine that equity will lay its hands on the property of the wife which is within its power, for the purpose of providing a maintenance for her when she is abandoned by her husband, or prevented from cohabitation by his ill-treatment.<sup>2</sup> These cases proceed upon somewhat different doctrines, however, from the pure equity to a settlement already considered.<sup>3</sup>

In some states of the Union maintenance in the nature of alimony out of the *husband's* estate has been decreed to the wife under proceedings in equity. It is true that the general rule in England is *against* exercising such a jurisdiction,<sup>4</sup> and many of the American decisions are to the same effect.<sup>5</sup> But, on the other hand, there are not wanting authorities to the effect that such a jurisdiction will be assumed, and it seems to be conceded, on all sides, that courts of equity will lay hold of any ground of jurisdiction which the particular case may present for the purpose of affording the desired relief.<sup>6</sup> The subject was elaborately considered in *Mississippi in Garland v. Gar-*

<sup>1</sup> 1 Lead. Cas. Eq. 496; Perry on Trusts, § 631.

<sup>2</sup> Nicholls v. Danvers, 2 Vern. 671; Williams v. Callow, Id. 752; Newsome v. Bowyer, 3 P. Wms. 37; Cecil v. Juxon, 1 Atk. 278; Dumond v. Magee, 4 Johns. Ch. 322.

<sup>3</sup> Perry on Trusts, § 631. In some cases in the United States maintenance in the nature of alimony has been decreed by courts of equity. Purcell v. Purcell, 4 Hen. & Munf. 507; Paterson v. Paterson, 1 Hal. Ch. 389. In some states jurisdiction in divorce is made a head of equitable relief.

<sup>4</sup> See Ball v. Montgomery, 2 Ves. 196; Story's Eq. Jurisp. § 1422. See, also, article in 24 Am. L. Reg. 1.

<sup>5</sup> Fischli v. Fischli, 1 Blackf. 360; Peltier v. Peltier, Harring. Ch. 19; Rees v. Waters, 9 Watts, 90; Pomeroy v. Wells, 8 Paige Ch. 406; Parsons v. Parsons, 9 N. H. 309; McGee v. McGee, 10 Ga. 477; Doyle v. Doyle, 26 Mo. 546; Yule v. Yule, 10 N. J. Eq. 138; Trotter v. Trotter, 77 Ill. 510.

<sup>6</sup> See Purcell v. Purcell, 4 Hen. & Munf. 507; Galland v. Galland, 38 Cal. 285; Butler v. Butler, 4 Littell, 202; Almond v. Almond, 4 Rand. 662; Logan v. Logan, 2 B. Mon. 142; Prather v. Prather, 4 Dees. 33; Rhame v. Rhame, 1 McCord Ch. 197; Glover v. Glover, 16 Ala. 446; Pearce v. Pearce, 132 Id. 221; Graves v. Graves, 36 Ia. 310; Dole v. Gear, 14 Haw. 554.

land,<sup>1</sup> and the jurisdiction supported. A different conclusion was, however, reached in Illinois.<sup>2</sup>

In some states the power is granted by statute.<sup>3</sup>

#### 114. Gifts from husband to wife; contracts.

In considering the equitable doctrines which are applicable to the property of married women, the subject of gifts from the husband to the wife requires to be noticed.

The existence of a married woman being supposed to be merged in that of her husband, a conveyance from the latter to the former at common law is of no effect.

Deeds which operate at common law, and not under the Statute of Uses, pass no title to the wife.<sup>4</sup>

In equity, however, the rule is otherwise. Gifts from the husband to the wife will be upheld, and if the legal title does not pass out of the former, he will, nevertheless, be considered to be a trustee for his wife, and the transaction will be upheld as a settlement.<sup>5</sup> And the same result will follow when the gift emanates from a third person, the husband assenting to it and treating the property as belonging exclusively to the wife.<sup>6</sup> Equity, however, while upholding the gift, has thought it right to attach to it this qualification, viz., that the settlement must be a reasonable one. Equity will not assist the husband to impoverish himself for the sake of his wife.<sup>7</sup> To do so would be to

<sup>1</sup> 50 Miss. 694.

<sup>2</sup> *Trotter v. Trotter*, 77 Ill. 510. It has been held, in some English cases (*Harris v. Lee*, 1 P. Wms. 482; *Marlow v. Pittfield*, Id. 558; *Deare v. Soutten*, L. R. 9 Eq. 151; *Jenner v. Morris*, 3 De G., F. & J. 45), that a person who advances money to a married woman for necessities—she not being supplied by her husband—is entitled to a remedy in equity against the husband; and these cases have been followed in *Kenyon v. Farris*, 47 Conn. 510, and approved by a dictum in *Walker v. Simpson*, 7 W. & S. 83, and by text-writers, 1 Bish. M. & D. §§ 1190-1191; Pom. Eq. Jurisp. §§ 1299-1300; 2 Kent Com. 146, note; Schouler on Dom. Relns. § 61, note. They were not

approved in *Skinner v. Tirrell*, 159 Mass. 474.

<sup>3</sup> See Michigan Stats. 1885, p. 169; Alabama Code, §§ 1485 *et seq.*

<sup>4</sup> *Crawford v. Whitmore*, 120 Mo. 144. It is not within the general jurisdiction of a court of chancery to annul a marriage because when contracted the wife had a former husband living. *Kelley v. Kelley*, 161 Mass. 111.

<sup>5</sup> *McKenna v. Phillips*, 6 Whart. 571; *Williams's Appeal*, 47 Pa. 307; *Thompson v. Allen*, 103 Id. 44-48; *Sipley v. Wass*, 49 N. J. Eq. 463. See, also, *Lowe v. McLeod*, 76 Ala. 418.

<sup>6</sup> *Gentry v. McReynolds*, 12 Mo. 533; *Welch v. Welch*, 63 Id. 60.

<sup>7</sup> *Stickney v. Borman*, 2 Pa. 67; *Lins v. Lenhart*, 127 Mo. 271.

injure his credit, and to act unfairly towards those who might afterwards become his creditors. The settlement, therefore, must not be actually fraudulent; that is, it must not be made while he is in embarrassed circumstances, or about to engage in a hazardous business, or in any way be calculated to deceive and injure *bona fide* creditors; and it must be a reasonable proportion of his estate. What that proportion is, does not appear to be definitely settled.<sup>1</sup>

Contracts between husband and wife will sometimes be enforced in equity.<sup>2</sup> But Courts of Chancery do not recognize the same right in husband and wife to contract with each other that they would have at common law were they single. Such contracts will be examined with great caution; and will only be enforced when made in good faith, upon a valuable consideration, and when they are just, reasonable and certain in their terms.<sup>3</sup> And although, at common law, contracts between a man and woman would be extinguished by subsequent intermarriage, yet in equity the parties will be compelled to execute them. Of such agreements illustrations may be found in those cases in which antenuptial contracts are made without the intervention of trustees.<sup>4</sup>

### 115. Contracts for separation.

Before leaving the subject of trusts for married women, it will be proper to say a few words upon a kindred topic, namely, contracts for separation between husband and wife.

It has been decided by the highest authority and in many cases, that agreements for *future* separation are invalid, and such must be considered as the settled law both in England and in the United States.<sup>5</sup>

<sup>1</sup> *Sims v. Rickets*, 35 Ind. 181; *Benedict v. Montgomery*, 7 W. & S. 238; *Coates v. Gerlach*, 44 Pa. 43.

<sup>2</sup> *Tennison v. Tennison*, 46 Mo. 77; *Bradish v. Gibbs*, 3 Johns. Ch. 523; *Livingston v. Livingston*, 2 Id. 537; *More v. Freeman*, Bunb. R. 205; *Lehr v. Beaver*, 8 W. & S. 102; *Fisher v. Filbert*, 6 Pa. 61; *Fallon v. McAlonen*, 15 R. I. 223; *Bohannon v. Travis*, 94 Ky. 59; *Demarest v. Terhune*, 62 N. J. Eq. 663.

<sup>3</sup> *Boland v. O'Neil*, Admtr., 72

Conn. 217; *Fennell's Estate*, 207 Pa. 309.

<sup>4</sup> See *Neves v. Scott*, 9 How. 196; *Imlay v. Huntington*, 20 Conn. 146; *West v. Howard*, Id. 581; *De Barante v. Gott*, 6 Barb. 492; *Healy v. Rowan*, 5 Gratt. 414; *Story's Eq.* § 1370.

<sup>5</sup> *Westmeath v. Westmeath*, 1 Dow. & C. 519. Notes to *Stapilton v. Stapilton*, 2 Lead. Cas. Eq. 855 (4th Eng. ed.), where the English authorities are collected; *Hill on Trustees*, 668-9 (4th Am. ed.); *Perry on Trusts*, § 672.



But agreements for *immediate* separation, although formerly discountenanced as against the policy of the law, are now sustained in England, and are looked upon with more favor in this country. In *Wilson v. Wilson* <sup>1</sup> it was decided by the House of Lords that the Court of Chancery might compel parties to articles for an agreement of separation to execute a deed in pursuance thereof. The agreement, however, must be founded on a sufficient consideration; <sup>2</sup> and the deed to be executed must not contain any conditions contrary to law, or in contravention of public policy. <sup>3</sup> The contract must not be entered into unadvisedly, and must contain suitable provisions. <sup>4</sup>

A covenant not to sue for the restoration of conjugal rights is a proper covenant to insert in a deed of separation, executed under a decree of the court, which directs articles of separation to be carried out; and such a covenant will be enforced by an injunction restraining the husband or wife from suing. <sup>5</sup> And an injunction will be granted to restrain a husband from molesting his wife, or a wife from molesting her husband, contrary to covenants contained in deeds of separation. <sup>6</sup> Whether an injunction would be granted to restrain proceedings for a restitution of conjugal rights, when there has been merely an *agreement* for articles of separation, seems to be doubtful; <sup>7</sup> but it has been decided that if a separation has taken place, and, subsequently, a contract for reconciliation is entered into, such contract will be enforced in equity by decreeing the performance of one of its terms providing for a conveyance of realty. <sup>8</sup>

And see *Evans v. Evans*, 93 Ky. 510; *Wilde v. Wilde*, 37 Neb. 891; *Bowers v. Hutchinson*, 67 Ark. 15; *Daniels v. Benedict*, 38 C. C. A. 598. In *Hunt v. Hunt*, 4 D. F. & J. 221, the subject will be found most clearly explained by Lord Westbury.

<sup>1</sup> 1 H. L. Cas. 538; 5 Id. 40. See, also, *Gibbs v. Harding*, L. R. 5 Ch. 336; *Charlesworth v. Holt*, L. R. 9 Ex. 38, and *Hart v. Hart*, 18 Ch. D. 670.

<sup>2</sup> *Walrond v. Walrond*, Johns. 18; *Beach v. Beach*, 2 Hill, 260; *Griffin v. Banks*, 37 N. Y. 623.

<sup>3</sup> *Vansittart v. Vansittart*, 2 De G.

& J. 255. See *Boland v. O'Neil*, 72 Conn. 217.

<sup>4</sup> *Hungerford v. Hungerford*, 161 N. Y. 550.

<sup>5</sup> *Hunt v. Hunt*, 4 D. F. & J. 221, where the subject is elaborately examined by Lord Westbury; *Wilson v. Wilson*, 1 H. L. Cas. 538. See, also, *Williams v. Baily*, L. R. 2 Eq. 731; *Besant v. Wood*, 12 Ch. D. 605; *Clark v. Clark*, 10 P. D. 188; *In re Abdy, Rabbath v. Donaldson* [1895], 1 Ch. 455.

<sup>6</sup> *Sanders v. Rodway*, 16 Beav. 207; *Flower v. Flower*, 20 W. R. 231.

<sup>7</sup> See the remarks of Lord St.

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<sup>8</sup> See *Barbour v. Barbour*, 49 N. J. Eq. 429.

It is well settled that when a separation deed has been actually executed, the court will enforce any of its stipulations which are in accordance with law.<sup>1</sup>

Some of the more recent authorities in this country have followed the ruling in *Wilson v. Wilson*. Thus, in Pennsylvania, Ohio, Massachusetts, Indiana, and Arkansas, the law in that case has been expressly recognized;<sup>2</sup> and the doctrine appears to be approved in Vermont.<sup>3</sup>

In other states, however, it has been held that equity will refuse to decree specific performance of separation articles.<sup>4</sup> But in so far as such agreements settle the rights of property between husband and wife, they will, if just and equitable, be upheld.<sup>5</sup>

In England, and in some of the United States, the intervention of a trustee in a separation deed does not now appear to be necessary;<sup>6</sup> but in other states the decisions are the other way.<sup>7</sup>

Leonards in *Wilson v. Wilson*, 5 H. L. Cas. 59, 60; and of Lord Chelmsford in *Vansittart v. Vansittart*, 2 De G. & J. 255.

<sup>1</sup> See *Vansittart v. Vansittart*, 2 De G. & J. 255; note to *Stapilton v. Stapilton*, 2 Lead. Cas. Eq. 853.

<sup>2</sup> *Hitner's Appeal*, 54 Pa. 114. See, also, *Hutton v. Duey*, 3 Id. 100; *Dillinger's Appeal*, 35 Id. 357; *Comm. v. Richards*, 131 Id. 218; *Thomas v. Brown*, 10 Ohio St. 250; *Fox v. Davis*, 113 Mass. 255; *Dutton v. Dutton*, 30 Ind. 455; *Bowers v. Hutchinson*, 67 Ark. 15. See *Smith v. Knowles*, 2 Gr. Cas. 413, where a parol agreement for separation was held, under the circumstances, invalid; and also *Switzer v. Switzer*, 26 Gratt. 574.

<sup>3</sup> See *Barron v. Barron*, 24 Vt. 375.

<sup>4</sup> See *Champlin v. Champlin*, 1 Hoff. Ch. 55; *Simpson v. Simpson*, 4 Dana, 140; *Rogers v. Rogers*, 4 Paige Ch. 518; *Carter v. Carter*, 14 Sm. & M. 59; *McCrocklin v. McCrocklin*, 2 B. Mon. 370; *Collins v. Collins*, Phil. Eq. 153; *Hill on Trustees*, 669 (4th Am. ed.); *Switzer v. Switzer*, 26 Gratt. 574; *Tallinger v. Mandeville*, 113 N. Y. 427, annotated in 28 Am. Law Reg. (N. S.) 471, and *Baum v. Baum*, 109

Wis. 47, where specific performance of a partially executed oral agreement was refused. But see *Clark v. Fossdick*, 118 N. Y. 14. A contract for maintenance, after a separation has taken place, will be enforced. *Galusha v. Galusha*, 116 N. Y. 635; *Aspinwall v. Aspinwall*, 49 N. J. Eq. 302; *Mockridge v. Mockridge*, 62 Id. 570.

<sup>5</sup> *Carey v. Mackey*, 82 Me. 516; *Rains v. Wheeler*, 76 Tex. 390; *King v. Mollohan*, 61 Kan. 683. See *Foot v. Nickerson*, 70 N. H. 496, for a qualification of the doctrine and an elaborate review of the authorities.

<sup>6</sup> *Frampton v. Frampton*, 4 Beav. 294; *Hutton v. Duey*, 3 Pa. 100; *Barron v. Barron*, 24 Vt. 375; *Bowers v. Hutchinson*, 67 Ark. 15.

<sup>7</sup> *Bettle v. Wilson*, 14 Ohio, 257; *Carson v. Murray*, 3 Paige Ch. 483; *Tourney v. Sinclair*, 3 How. (Miss.) 324; *Watkins v. Watkins*, 7 Yerg. 283; *Simpson v. Simpson*, 4 Dana, 140; *Carter v. Carter*, 14 Sm. & M. 59; *Hill on Trustees*, 669 (4th Am. ed.); *Perry on Trusts*, § 673. See generally, on contracts for separation, 1 *Bishop on Mar., Div. and Separation*, §§ 1288 et seq.

## CHAPTER V.

## TRUSTS FOR CHARITIES.

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| 116. Uncertainty in the object a characteristic of a charitable use.<br>117. Importance of charitable uses.<br>118. Origin of charitable uses; <i>Vidal v. Girard's Executors</i> .<br>119. Statute of Elizabeth.<br>120. Classification of charitable gifts; Gifts for eleemosynary purposes.<br>121. Gifts for educational purposes.<br>122. Gifts for religious purposes.<br>123. Gifts for public purposes.<br>124. Definition of a charitable use; Mr. Binney's definition; <i>Jackson v. Phillips</i> . | 125. Characteristics of a charitable use; uncertainty of the object.<br>126. The <i>cy pres</i> doctrine.<br>127. <i>Jackson v. Phillips</i> .<br>128. <i>Cy pres</i> doctrine in England prerogative and judicial.<br>129. Soundness of the latter doctrine.<br>130. Rules of the different states.<br>131. Nature of the uncertainty which should avoid a charitable gift.<br>132. Resulting trusts in cases of charitable gifts; <i>Thetford School Case</i> .<br>133. Perpetuities and Accumulations.<br>134. Statutes of Mortmain. |
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**116. Uncertainty in the object a characteristic of a charitable use.**

It has already been said that three things are necessary to raise a valid trust—sufficient words to create it, a definite subject, and a certain or ascertained object. To this rule there is a very noticeable exception in the cases of trusts for charitable uses, wherein the trust will be sustained although the objects to be benefited may not be defined with that precision which would be requisite in trusts of an ordinary or private description. Uncertainty in the object is one of the characteristics of a true, technical, charitable use, because if the beneficiaries are defined with precision, the ordinary doctrines of equity, which have been already referred to, would be sufficient to support it.

It is when a trust, which, if it were for an individual, would fail for want of certainty in the object, is supported in equity because it is for a charity that the term, charitable use, is to be in strictness applied. A trust for a charity which is declared with the same certainty in all respects as ordinary trusts, is, of

course, capable of being sustained by the ordinary rules of property;<sup>1</sup> but a trust, which, according to those rules, would fail for uncertainty, is upheld in chancery when the beneficiaries are objects of charity, and is *then* a charitable use.<sup>2</sup>

### 117. Importance of charitable uses.

Trusts for charitable uses have occupied a large share of the attention of Courts of Chancery both in England and in this country; and it is perhaps not too much to say that in the Federal courts and in the tribunals of many of the states of the Union the questions which grow out of the doctrine of charitable uses have been discussed with a degree of industry, of learning, and of research that can scarcely be paralleled in the annals of jurisprudence. A reference to the reports of the great cases in which the wills of Stephen Girard, of Sarah Zane, and of Francis Jackson were construed will be sufficient to bear out the correctness of this assertion.<sup>3</sup>

<sup>1</sup> Thus a devise to a corporation to distribute the rents among twenty-four persons named, is not charitable, but it gives a vested right to each of the *cestui que trustent*. *Liley v. Hey*, 1 Hare, 580. And a gift for the benefit and care of certain specified horses, ponies and hounds is not a charitable gift, for the objects are defined. *In re Dean*, 41 Ch. D. 556. "If a trust is for any particular persons, it is not a charity. Indefiniteness is of its essence;" by Sharswood, J., in *Philadelphia v. Fox*, 64 Pa. 182. See, also, *Swift's Ex'rs v. The Beneficial Society*, 73 Pa. 362; *Old South Society v. Crocker*, 119 Mass. 1; *Att.-Gen. v. Clark*, 167 Mass. 203; *Fay v. Howe*, 136 Cal. 599, and *Troutman v. De Boissiere*, 66 Kan. 1. Trusts to say masses for the soul of a particular individual have been held not to be charitable uses. *Festorazzi v. St. Joseph's Cath. Church*, 104 Ala. 327; *Brannigan v. Murphy* [1896], 1 Ir. R. 418. *Contra*, *Webster v. Sughrow*, 69 N. H. 380; *Coleman v. O'Leary's Ex'r*, 114 Ky. 388. But a bequest to say masses publicly has been held a

good charitable bequest. *Att.-Gen. v. Hall* [1896], 2 Ir. R. 291.

<sup>2</sup> *Jackson v. Phillips*, 14 Allen, 550; *Board of Comm'rs of Rush Co. v. Dinwiddie*, 139 Ind. 128; *Perry on Trusts*, § 687. See *Harrington v. Pier*, 105 Wis. 485, and *Hood v. Dorer*, 107 Id. 149, where *Ruth v. Oberbrunner*, 40 Id. 263, is limited and explained and the language of the statute in that state considered. See *Barkley v. Donnelly*, 112 Mo. 561.

<sup>3</sup> *Vidal v. Girard's Executors*, 2 How. 128; *Philadelphia v. Girard's Heirs*, 45 Pa. 27; *Magill v. Brown*, Brightly, 350; *Jackson v. Phillips*, 14 Allen, 539; *Minns v. Billings*, 183 Mass. 126. See, also, *Baptist Association v. Hart's Ex'rs*, 4 Wheat. 1; *Inglis v. Sailor's Snug Harbor*, 3 Pet. 99; *Fontain v. Ravenel*, 17 How. 387; *Perin v. Carey*, 24 Id. 506; *Loring v. Marsh*, 6 Wall. 337; *Gallego's Ex'rs v. Att.-Gen.*, 3 Leigh, 450; *Kinnaird v. Miller's Ex'rs*, 25 Gratt. 107; *Witman v. Lex*, 17 S. & R. 88; *Methodist Church v. Remington*, 1 Watts, 218; *Henry v. Deitrich*, 84 Pa. 291; *Dickson v. Montgomery*, 1 Swan. 448;

**118. Origin of charitable uses; *Vidal v. Girard's Executors*.**

These trusts had been at one time supposed, both in England and in this country, to owe their origin to the Statute of 43 Elizabeth, c. 4, commonly known as the Statute of Charitable Uses; which was, in point of fact, an act designed merely to hunt up existing charities and enforce their administration; but which, because it enumerated certain trusts as charitable, came to be referred to as the origin of the jurisdiction of chancery over charitable uses, and as defining those uses which were to be considered charitable. This opinion existed in England,<sup>1</sup> and was adopted in the United States in the case of the Trustees of the Baptist Church *v. Hart's Executors*.<sup>2</sup> In 1844, however, in the great case of *Vidal v. Girard's Executors*,<sup>3</sup> this opinion was shown to be erroneous. In his celebrated argument in that case, Mr. Binney, one of the counsel for the will of Stephen Girard, showed, by reference to the proceedings of the Court of Chancery in the time of Queen Elizabeth (which had been published by order of the record commission), that that tribunal had exercised jurisdiction over trusts of this description prior to the passage of the Statute of Charitable Uses. The cases mentioned in the report of the record commission are about fifty in number; and although as to some of them it may not be satisfactorily demonstrated that they were instances of charitable uses, yet, upon the authority of these precedents, it is now settled that the jurisdiction of chancery upon this subject does not depend upon the statute, but existed independently of, and prior to, that enactment.

In the struggle with the pope, Henry VIII. was obliged to attack many charitable institutions for the purpose of asserting the power of the crown as against the claim of papal supremacy; and hence many charities were abolished by statute.<sup>4</sup> But in the reign of Elizabeth, after the conflict for ecclesiastical supremacy had been settled in favor of the English monarch, and the success of the Reformation had been assured, the necessity for institutions of an eleemosynary character began to reassert itself, and several statutes were passed for the purpose of re-

Green *v. Allen*, 5 Humph. 177; *Frier-son v. Gen. Assem. Presb. Church*, 7 Heisk. 693; *Almy v. Jones*, 17 R. I. 265.

<sup>1</sup> 1 Spence's Eq. 589.

<sup>2</sup> 4 Wheat. 1.

<sup>3</sup> 2 How. 128.

<sup>4</sup> Perry on Trusts, § 691.

storing and encouraging charitable foundations.<sup>1</sup> These acts finally culminated, in the year 1601, in the Statute of Charitable Uses, already mentioned.<sup>2</sup>

The question as to the origin of the jurisdiction upon this subject has this practical importance—viz., that in those states where the statute of Elizabeth is not in force or has not been adopted, the right of courts of equity to assume control over questions of this kind must depend upon their original jurisdiction.<sup>3</sup>

### 119. Statute of Elizabeth.

While, however, the statute of Elizabeth is not to be regarded as the *origin* of charitable uses, it has always been looked to as furnishing a definition of what uses are to be considered as charitable; although in those states in which the statute is not in force the courts will not confine themselves to the objects enumerated in the statute.<sup>4</sup> These uses are set forth in the preamble to the statute, and are as follows: "The relief of aged, and impotent, and poor people; the maintenance of sick and maimed soldiers and mariners; schools of learning; free schools; scholars in universities; houses of correction; repairs of bridges, ports, havens, causeways, churches, sea-banks and highways; the education and preferment of orphans; the marriages of poor maids; supportation and help of tradesmen, handicraftsmen, and persons decayed; the relief or redemption of prisoners or captives; and aid or ease of any poor inhabitants concerning the payment of fifteenths, setting out of soldiers and other taxes." In addition to the above, many other objects have been decided to be charitable, because they were analogous to those mentioned in the statute, and were considered to be in conformity with the spirit of the preamble, or, in other words, although not within the strict letter of the statute, they have been held to fall within its "equity." Thus a gift for the "advancement of the Christian

<sup>1</sup> 1 Eliz. c. 4, §§ 34, 40, 85; 8 Id. c. 11; 35 Id. c. 3; 39 Id. c. 4, 21; 31 Id. c. 6; 43 Id. c. 2 and 3. Perry on Trusts, § 691.

<sup>2</sup> 43 Eliz. c. 4; Perry on Trusts, § 692. See Commissioners v. Pemsell [1891], App. Cas. 531-581.

<sup>3</sup> See Pell v. Mercer, 14 R. I. 412; R. I. Hosp. Trust Co. v. Olney, Id. 449; Williams v. Williams, 8 N. Y.

525; Holland v. Alcock, 108 Id. 332; Halsey v. Convention of Protestant Epis. Church, 75 Md. 225; Trinity Meth. Epis. Ch. v. Baker, 91 Md. 539; Harrington v. Pier, 105 Wis. 485; Clayton v. Hallett, 30 Colo. 231; Snider v. Snider, 70 S. C. 555.

<sup>4</sup> Witman v. Lex, 17 S. & R. 88; Tappan v. Deblois, 45 Me. 122; Harrington v. Pier, 105 Wis. 485.

religion among infidels" is a good charity.<sup>1</sup> So is a gift for repairing a church;<sup>2</sup> for building an organ-gallery;<sup>3</sup> for repairing a parsonage;<sup>4</sup> or for the "worship of God."<sup>5</sup> A gift for purposes of education is a charity,<sup>6</sup> and so is a gift to a town for public improvements.<sup>7</sup> On the other hand, trusts "for the political restoration of the Jews to Jerusalem;"<sup>8</sup> "to secure the passage of laws granting women a right to vote and hold office;"<sup>9</sup> "for a corporation to enable it to keep a larger supply of corn in London for the market;"<sup>10</sup> "to build a monument, tomb, or vault for the donor;"<sup>11</sup> "for the purchase of advowsons or presentations;"<sup>12</sup> for the presentation of a prize cup "to encourage yacht-racing,"<sup>13</sup> are illustrations of gifts which have been de-

<sup>1</sup> *Att.-Gen. v. William and Mary's College*, 1 Ves. Jr. 245.

<sup>2</sup> *Att.-Gen. v. Ruper*, 2 P. Wms. 125.

<sup>3</sup> *Att.-Gen. v. Oakaver*, 1 Ves. Sr. 536.

<sup>4</sup> *Legard v. Hodges*, 3 Bro. C. C. 441.

<sup>5</sup> *Att.-Gen. v. Pearson*, 3 Merv. 353. See *Decamp v. Dobbins*, 29 N. J. Eq. 36.

<sup>6</sup> *Vidal v. Girard (supra)*; *Whicker v. Hume*, 7 H. L. Cas. 124; *Smithsonian Inst. Case*, Id. \*155 (cited).

<sup>7</sup> *Att.-Gen. v. Heelis*, 2 S. & St. 67.

So again a testator gave his residuary personality upon trust for the officers' mess of his regiment, to be invested and the income to be applied in maintaining a library for the officers' mess for ever, any surplus to be expended in the purchase of plate for the mess. He then directed that two houses, part of the residue, should be for the use of old officers of the regiment at a small rent during their lives:

Held, that the gift of residue to maintain a library and to purchase plate for the officers' mess, being for a general public purpose tending to increase the efficiency of the army and aid taxation, was a good charitable bequest:

Held, also, that the gift might be

supported as a "setting out of soldiers" within the meaning of those words in the statute of Elizabeth:

But, held, that the gift of the houses was void for perpetuity, and that the houses did not fall back into the residue, but were undisposed of. *Harington v. Watts* [1905], 2 Ch. 60.

<sup>8</sup> *Habershon v. Vardon*, 7 Eng. L. & Eq. 228; 4 De G. & Sm. 467.

<sup>9</sup> *Jackson v. Phillips*, 14 Allen, 571.

<sup>10</sup> *Att.-Gen. v. Haberdashers' Co.*, 1 My. & K. 420.

<sup>11</sup> *Hoare v. Osborne*, L. R. 1 Eq. 585; though see *Adnam v. Cole*, 6 Beav. 353. To keep certain graves in repair is not a charity. *Kelly v. Nichols*, 17 R. I. 306; *Estate of Gay*, 138 Cal. 552. A society for the purpose of benevolence among its members only, is not a charity. *Beaumont v. Meredith*, 3 V. & B. 190; *Babb v. Reed*, 5 Rawle, 151; *Swift v. Beneficial Society*, 73 Pa. 262; *Cunnack v. Edwards* [1896], 2 Ch. 681; *Young Men's Society v. Fall River*, 160 Mass. 409; *Mason v. Perry*, 22 R. I. 475; *Troutman v. De Boissiere*, 66 Kan. 1; *City of Newport v. Masonic Temple Assn.*, 108 Ky. 333.

<sup>12</sup> *In re Hunter*, *Hood v. Att.-Gen.* [1897], 1 Ch. 518.

<sup>13</sup> *In re Nottage*, *Jones v. Palmer* [1895], 2 Chan. 649.

terminated not to be charities.<sup>1</sup> A gift for "charity" or for "charitable purposes," or for "benevolent" institutions, without adding more, is a good charitable bequest;<sup>2</sup> and so is a gift to a charitable association, although no charitable use is designated.<sup>3</sup>

## 120. Classification of charitable gifts; Gifts for eleemosynary purposes.

The purposes for which charitable gifts may be made are so numerous that it is almost impossible to classify them; nevertheless, the four following heads,<sup>4</sup> without including *all* possible charitable bequests, may be said to embrace a large majority of them:—

1. Gifts for strictly eleemosynary purposes, such as "to the poor,"<sup>5</sup> "to a parish,"<sup>6</sup> "for releasing poor debtors,"<sup>7</sup> "for a hospital,"<sup>8</sup> "for orphans,"<sup>9</sup> "for the benefit of fugitive slaves,"<sup>10</sup> "for poor relations,"<sup>11</sup> "for the relief of Indians,"<sup>12</sup> "for the relief

<sup>1</sup> In the case of *In re Faveaux, Cross v. London Anti-Vivisection Society* [1895], 2 Ch. 501, it was held that a gift to discourage vivisection of animals was a charitable gift. A gift for "philanthropic" purposes is not a charity. *In re Macduff, Macduff v. Macduff* [1896], 2 Ch. 466.

<sup>2</sup> *Legg v. Asgill*, 1 Turn. & Rus. 265, n.; *Mills v. Farmer*, 19 Ves. 483; s. c. 1 Mer. 44; *Murphy's Est.*, 184 Pa. 310; *St. James Orphan Asylum v. Shelby*, 60 Neb. 796; *Minns v. Billings*, 183 Mass. 126. But see *Adye v. Smith*, 44 Conn. 60.

<sup>3</sup> *Evangelical Association's Appeal*, 35 Pa. 316; *Am. Bible Soc. v. Am. Tract Soc.*, 62 N. J. Eq. 219.

<sup>4</sup> This was the classification made by Sir Samuel Romilly in his argument in *Morice v. The Bishop of Durham*, 10 Ves. 522-532, and it has been recently followed in the House of Lords. See Lord McNaughten's judgment in *Commissioners v. Pemsel* [1891], App. Cas. 583. See also *In re Macduff, Macduff v. Macduff* [1896], 2 Ch. 466.

<sup>5</sup> *Att.-Gen. v. Matthews*, 2 Lev. 167; *Howard v. American Peace Society*, 42 Me. 288; *Asylum v. Lefebvre*, 69 N. H. 238; *Heuser v. Harris*, 42 Ill. 425; *Bullard v. Chandler*, 149 Mass. 532; *Conklin v. Davis*, 63 Conn. 377; *In re Darling, Farquhar v. Darling* [1896], 1 Ch. 50; *Grant v. Saunders*, 121 Ia. 80.

<sup>6</sup> *Att.-Gen. v. Blizard*, 21 Beav. 233; *Att.-Gen. v. Old South Society*, 13 Allen, 474; *State v. Gerard*, 2 Ired. Eq. 210; *Shotwell v. Mott*, 2 Sand. Ch. 46; *Overseers v. Tayloe, Gilm.* 336.

<sup>7</sup> *Att.-Gen. v. Ironmongers' Co.*, 2 My. & K. 576. See *Haynes v. Carr*, 70 N. H. 463.

<sup>8</sup> *Corp. of Reading v. Lane, Duke*, 81; *Att.-Gen. v. Kell*, 2 Beav. 575; *McDonald v. Massachusetts Hospital*, 120 Mass. 432.

<sup>9</sup> *Vidal v. Girard's Ex'rs*, 2 How. 128. "For an orphans' home for the friendless poor of all denominations." *Kemmerer v. Kemmerer*, 233 Ill. 327.

<sup>10</sup> *Jackson v. Phillips*, 14 Allen, 571.

<sup>11</sup> *Brunsdon v. Woolredge, Amb.*

<sup>12</sup> *Magill v. Brown, Brightly*, 347.



of aged females,"<sup>1</sup> "for providing and maintaining a home for the aged,"<sup>2</sup> or for widows and children "in distressed circumstances,"<sup>3</sup> for "a rest home for worthy working girls,"<sup>4</sup> or for the suppression of the manufacture and sale of intoxicating liquors,<sup>5</sup> "for temperance work in said city,"<sup>6</sup> or for taking care of domestic animals.<sup>7</sup>

### 121. Gifts for educational purposes.

2. Gifts for educational purposes; as to a college for educating orphans<sup>8</sup> (although there may be preferences among beneficiaries),<sup>9</sup> for advancement of learning,<sup>10</sup> libraries, and literary institutes,<sup>11</sup> for the diffusion of knowledge among the working

507; *Swasey v. American Bible Soc.*, 57 Me. 527; *Smith v. Harrington*, 4 Allen, 566.

<sup>1</sup> *Gooch v. Association for Relief*, etc., 109 Mass. 567; *Sherman v. Cong. Miss. Soc.*, 176 Mass. 349; *Eliot's Appeal*, 74 Conn. 586.

<sup>2</sup> *Allen v. Stevens*, 161 N. Y. 122.

<sup>3</sup> *In re Buck*, *Bruty v. Mackey* [1896], 2 Ch. 727; *Rowell v. Claggett*, 69 N. H. 201.

<sup>4</sup> *Sherman v. Cong. Miss. Soc.*, 176 Mass. 349.

Also "to furnish homes, shelter, protection, instruction and improvement to industrious girls and women, while either in or out of employment, at the lowest possible cost to them commensurate with maintaining the proper sense of self respect on the part of the beneficiaries who shall desire or require the shelter of plain, comfortable and cheerful homes, surrounded by good influence, attended by proper and wholesome amusements, presided over by kind and proper guardian officers known to be interested in the happiness, prosperity, self respect and welfare of the beneficiaries." *Daly's Est.*, 208 Pa. 58.

<sup>5</sup> *Haines v. Allen*, 78 Ind. 100.

<sup>6</sup> *Harrington v. Pier*, 105 Wis. 485.

<sup>7</sup> *University of London v. Yarrow*, 1 De G. & J. 72; *In re Douglas*, 35 Ch.

D. 479; *Minns v. Billings*, 183 Mass. 126.

<sup>8</sup> *Vidal v. Girard's Ex'rs*, 2 How. 128; *Clement v. Hyde*, 50 Vt. 716; *Miller v. Atkinson*, 63 N. C. 537. See, also, *Paschal v. Acklin*, 27 Tex. 173; *Miller v. Porter*, 53 Pa. 292; *Halsey v. Convent P. E. Church*, 75 Md. 275; *Barkley v. Donnelly*, 112 Mo. 561; *Clayton v. Hallett*, 30 Colo. 231; *Crow v. Clay County*, 196 Mo. 234. A devise for the purpose of educating the descendants of two persons named is not valid as a charitable use. *Johnson v. De Pauw University*, 116 Ky. 671.

<sup>9</sup> *Vidal v. Girard's Ex'rs* (*supra*); *Dexter v. Harvard College*, 176 Mass. 192; *Washburn College v. O'Hara*, 75 Kan. 700.

<sup>10</sup> *Stevens v. Shippen*, 28 N. J. Eq. 487; *Taylor v. Bryn Mawr Coll.*, 34 N. J. Eq. 101; *Whicker v. Hume*, 1 De G., M. & G. 506; 7 H. L. Cas. 123. See *The President of the U. S. v. Drummond* (the Smithsonian Institution Case), cited in 7 H. L. Cases, \*155.

<sup>11</sup> *Drury v. Inhabitants of Natick*, 10 Allen, 169; *Donohugh v. Library Company of Philadelphia*, 5 W. N. C. 196 (C. P. No. 2 of Philadelphia County). In the last case the definition of a public charity was called for with some precision. The Constitu-

classes,<sup>1</sup> to erect a free grammar school,<sup>2</sup> or to promote the moral, intellectual, and physical instruction of a city,<sup>3</sup> to increase the salaries of teachers,<sup>4</sup> or "to pay the fees of tuition and instruction, the cost of text books, room rent and reasonable board,"<sup>5</sup> or for the foundation of scholarships and fellowships,<sup>6</sup> or the cultivation of art,<sup>7</sup> or for instruction in mechanical arts,<sup>8</sup> or "for charitable and educational purposes therein" (*i. e.*, the state of New Hampshire).<sup>9</sup>

## 122. Gifts for religious purposes.

### 3. Gifts for religious purposes; as for the advancement of

tion of Pennsylvania exempted from taxation "institutions of *purely public charity*;" and the question was whether the Library Company of Philadelphia fell within that phrase. It was held that it did. "The Library," said Mitchell, J., in delivering the opinion of the court below, "is a trust, and while it is the property of the corporation, and, therefore, in a certain sense, of the corporate stockholders, yet it is not their property in any full legal or commercial sense. . . . Being thus a trust, its purpose and scope must be looked for in the grant. It is not a question of how the revenue is derived, *but to what purpose and with what intent it is devoted*." And this view was adopted by the Supreme Court (*Donohugh's Appeal*, 86 Pa. 306), and subsequently extended in *Philadelphia v. Women's Christian Association*, 125 Pa. 581; *Northampton Co. v. Lafayette Coll.*, 128 Id. 132; *Episcopal Academy v. Philadelphia*, 150 Id. 565. (But see *White v. Smith*, 199 Id. 222, for a criticism on these last-mentioned cases.) The same conclusion had been reached in the interpretation of similar constitutional provisions in other states. *Gerke v. Purcell*, 25 Ohio, 229, approved and followed in *Humphries v. The Little Sisters*, 29 Id. 205; *Benevolent Society v. Kelly*,

28 Oreg. 173; *Church v. Hinton*, 92 Tenn. 188. See, also, *Burd Orphan Asylum v. School District*, 90 Pa. 21; *Philadelphia v. Masonic Home*, 160 Id. 572; *Philadelphia v. Keystone Battery A*, 169 Id. 526 (the case of a military company maintained by public and private subscriptions); *Phila. v. Penna. Hospital*, 154 Id. 9; *Sunday-school Union v. Phila.*, 161 Id. 307; *Penna. Hospital v. Delaware Co.*, 169 Id. 306, and *Philadelphia v. Overseers*, 170 Id. 257. See in this connection, *Miller's Ex'rs v. Commonwealth*, 27 Gratt. 116; *Raley v. Umatilla Co.*, 15 Or. 172; *Fordyce v. Library Assn.*, 79 Ark. 550.

<sup>1</sup> *Sweeney v. Sampson*, 5 Ind. 465.

<sup>2</sup> *Hadley v. Hopkins Acad.*, 14 Pick. 240; *State v. McGowen*, 2 Ired. Eq. 9.

<sup>3</sup> *Lowell's Appeal*, 22 Pick. 215; *Pickering v. Shotwell*, 10 Pa. 27.

<sup>4</sup> *Price v. Maxwell*, 28 Pa. 23.

<sup>5</sup> *Dexter v. Harvard College*, 176 Mass. 192.

<sup>6</sup> *Rex v. Newman*, 1 Lev. 284; *Att.-Gen. v. Andrews*, 3 Ves. 633; *Case of Jesus Col., Duke*, 78; *Att.-Gen. v. Bowyer*, 3 Ves. 714.

<sup>7</sup> *Almy v. Jones*, 17 R. I. 265; *Hubbard v. Worcester Art Museum*, 194 Mass. 280.

<sup>8</sup> *People v. Cogswell*, 113 Cal. 129.

<sup>9</sup> *Haynes v. Carr*, 70 N. H. 463.

Christianity among the infidels,<sup>1</sup> for the dissemination of the gospel,<sup>2</sup> for foreign missions,<sup>3</sup> for distributing Bibles and religious tracts,<sup>4</sup> for the benefit of ministers of the gospel,<sup>5</sup> and for building, ornamenting, or repairing churches.<sup>6</sup> It may be here observed that the only religious use which is mentioned in the statute of Elizabeth is that for "repairs of churches," but bequests for religious and pious purposes have always been considered within the equity of the statute, and have always been upheld.<sup>7</sup> It may also be mentioned, here, that in England gifts for superstitious uses, that is, religious uses, which, according to the English ecclesiastical law, were illegal (as, for example, the maintenance of a priest to pray for the soul of the donor), were void. But in the United States there are no uses which can be denominated superstitious.<sup>8</sup> A trust, however, for an infidel society cannot be sustained.<sup>9</sup>

### 123. Gifts for public purposes.

4. Gifts for erecting or maintaining public buildings or works, or otherwise lessening the burdens of government;<sup>10</sup> and under this head may be comprehended all trusts for the building or

<sup>1</sup> Att.-Gen. v. William and Mary's College, 1 Ves. Jr. 243.

<sup>2</sup> Att.-Gen. v. Wallace, 7 B. Mon. 611; Burr v. Smith, 7 Vt. 241; Hinckley v. Thatcher, 139 Mass. 477.

<sup>3</sup> Bartlet v. King, 12 Mass. 537; Fairbanks v. Lamson, 99 Id. 533.

<sup>4</sup> Att.-Gen. v. Stepney, 10 Ves. 22; Winslow v. Cummings, 3 Cush. 358; Bliss v. American Bible Soc., 2 Allen, 334; Pickering v. Shotwell, 10 Pa. 23; Church v. Hinton, 92 Tenn. 188.

<sup>5</sup> Att.-Gen. v. Gladstone, 13 Sim. 7; Cory Universalist Soc. v. Beatty, 28 N. J. Eq. 570; Pember v. Inhabitants of Kingston, Toth. 34; Hood v. Dorer, 107 Wis. 149; Staines v. Burton, 17 Utah, 331.

<sup>6</sup> See cases cited, *supra*, p. 195, notes; also McAlister v. Burgess, 161 Mass. 269; Paine v. Forney, 128 N. C. 237; St. Peter's Church v. Brown, 21 R. I. 367. "For the support of the church." Osgood v. Rogers, 186 Mass. 238.

A fund of which the income is to be devoted to religious uses in connection with a particular church, is a public charity. Sears v. Attorney-General, 193 Mass. 551. A devise to a church for the use and benefit of such church is a good charitable devise. Biscoe v. Thweatt, 74 Ark. 545.

<sup>7</sup> Perry on Trusts, § 701; *In re White*, *White v. White* [1893], 2 Ch. 41.

<sup>8</sup> Methodist Church v. Remington, 1 Watts, 218; Cass v. Wilhite, 2 Dana, 175; Holland v. Alcock, 108 N. Y. 312; Miller v. Porter, 53 Pa. 292; Webster v. Sughrow, 69 N. H. 380; Harrison v. Brophy, 59 Kan. 1; Jones v. Watford, 64 N. J. Eq. 785; Coleman v. O'Leary's Ex'r, 114 Ky. 388.

<sup>9</sup> Zeisweiss v. James, 63 Pa. 465-471.

<sup>10</sup> Jackson v. Phillips, 14 Allen, 556.

repair of bridges, ports, causeways, sea-banks, for paving, cleansing and lighting a town, for erecting town houses, laying out and maintaining public parks, for supporting military organizations, and bequests of a like character.<sup>1</sup>

It may be remarked, here, that when the subject of the trust is not the result of a gift, but of a contract or a statute, the use will not be a charitable one, for charity is necessarily based upon the idea of bounty, and cannot be predicated of an *agreement* to devote money to a benevolent object,<sup>2</sup> or of an *assessment* under a statute.<sup>3</sup>

Nor can a gift to a business enterprise be considered a charitable gift, nor will the donee, by its acceptance, be brought under the jurisdiction of Courts of Chancery over charities. Therefore, when Congress appropriated a large sum of money for the coinage of memorial half-dollars, which were to be given to the World's Columbian Exposition in aid of the cost, such appropriation did not bring the gift within the equity jurisdiction over charities.<sup>4</sup>

#### 124. Definition of a charitable use.

From the above statement of the objects which have been considered charitable uses, it will be perceived that it is a task of no little difficulty to give a definition of a charitable use which shall be at the same time accurate and comprehensive.

Sir William Grant<sup>5</sup> said that those purposes are considered charitable which are enumerated in the Statute of 43 Elizabeth, or which, by analogy, are deemed within its spirit and intentment; but it has been justly remarked that this definition leaves

<sup>1</sup> *Coggeshall v. Pelton*, 7 Johns. Ch. 292; *Bethlehem Borough v. Perseverance Fire Co.*, 81 Pa. 445; *Mowry v. City of Providence*, 10 R. I. 52; *State v. Griffith*, 2 Del. Ch. 392-421; *Cresson's Appeal*, 30 Pa. 437; *Hamden v. Rice*, 24 Conn. 350; *Magill v. Brown*, Brightly, 347; *Bartlett, Petitioner*, 163 Mass. 509; *In re Lord Stratheden and Campbell* [1894], 3 Ch. 265; *Philadelphia v. Keystone Battery A*, 169 Pa. 526; *Lackland v. Walker*, 151 Mo. 210; *Stuart v. Easton*, 39 U. S. App. 238; *Perry on Trusts*, § 704;

*Thomas v. Ellmaker*, 1 Pars. Eq. 96; *Humane Fire Co.'s Appeal*, 88 Pa. 389; *Smith's Estate, Walker's Appeal*, 181 Id. 109; *Beaumont v. Oliveira*, L. R. 4 Ch. 309.

<sup>2</sup> *Brendle v. The German Reformed Cong.*, 33 Pa. 419; *Swift v. The Beneficial Society*, 73 Id. 362.

<sup>3</sup> *Att.-Gen. v. Heelis*, 2 Sim. & Stu. 77, *per* Sir J. Leach, V. C.

<sup>4</sup> *World's Columbian Exposition Case*, 18 U. S. App. 42-163.

<sup>5</sup> *In Morice v. Bishop of Durham*, 9 Ves. 405.

something to be desired in point of certainty, and suggests no principle.<sup>1</sup>

Mr. Binney, in his great argument in the Girard Will Case, defined a charitable or pious gift to be "whatever is given for the love of God, or for the love of your neighbor, in the catholic and universal sense—given from these motives and to these ends—free from the stain or taint of every consideration that is personal, private, or selfish."<sup>2</sup> A more concise and practical rule is that of Lord Camden, adopted by Chancellor Kent, by Lord Lyndhurst, and by the Supreme Court of the United States—"a gift to a general public use, which extends to the poor as well as to the rich."<sup>3</sup> Mr. Justice Grey, when on the Supreme Bench of Massachusetts, in the case of *Jackson v. Phillips*, defined a charity in its legal sense as a gift, to be applied consistently with existing laws, for the benefit of an indefinite number of persons, either by bringing their minds or their hearts under the influence of education or religion, by relieving their bodies from disease, suffering, or constraint, by assisting them to establish themselves in life, or by erecting or maintaining public buildings or works, or otherwise lessening the burdens of government. It is immaterial whether the purpose is called charitable in the gift itself, if it is so described as to show that it is charitable in its nature.<sup>4</sup>

This last definition, while not perhaps as concise as could be desired, is nevertheless both clear and comprehensive, and has already been adopted in text-books as the most satisfactory definition of a charitable use;<sup>5</sup> and it has lately been approved by the Supreme Court of Pennsylvania in *The Fire Insurance Patrol v. Boyd*, where the distinction between the *motive* and the *purpose* of the gift is pointed out and the latter declared to be the true test.<sup>6</sup>

<sup>1</sup> *Jackson v. Phillips*, 14 Allen, 555.

<sup>2</sup> *Vidal v. Girard's Ex'rs*, 2 How. 128.

<sup>3</sup> *Jones v. Williams*, Ambl. 652; *Coggeshall v. Pelton*, 7 Johns. Ch. 294; *Mitford v. Reynolds*, 1 Phil. Ch. 191, 192; *Perin v. Carey*, 24 How. 506; *Harrington v. Pier*, 105 Wis. 485.

<sup>4</sup> 14 Allen, 555; *Newcomb v. Boston Protect. Dep't*, 151 Mass. 215; *Missouri Historical Soc. v. Academy of*

*Science*, 94 Mo. 459; *McDonald v. Shaw*, 81 Ark. 235.

<sup>5</sup> *Perry on Trusts*, § 697.

<sup>6</sup> *The Fire Ins. Patrol v. Boyd*, 120 Pa. 624. This case repudiates the approval of Mr. Binney's definition which the court had expressed in *Price v. Maxwell*, 28 Pa. 35. See, also, *Un. Pac. Ry. Co. v. Artist*, 19 U. S. App. 612. Compare *Newcomb v. Boston Protect. Dep't*, 151 Mass.

### 125. Characteristics of a charitable use ; uncertainty of the object.

The nature of a charitable use having been explained, it will be proper now to point out the principal characteristics of this trust which have rendered it worthy of a separate consideration. These are, *first*, the uncertainty of its objects; and, *secondly*, the perpetuity of its existence.

It has already been pointed out that the chief characteristic of charitable uses was the fact that the objects of the trust were always, to a greater or less extent, uncertain; <sup>1</sup> and this characteristic of charitable uses has led to a doctrine peculiar to trusts of this sort, viz., that known as the *cy pres* doctrine.

### 126. The *cy pres* doctrine.

The *cy pres* doctrine has been much discussed, if not a little severely criticised, and in many cases misunderstood. The very clear statement of the law upon this subject by Mr. Justice Grey, in *Jackson v. Phillips*,<sup>2</sup> has done much to establish an accurate understanding of the doctrine.

The *cy pres* doctrine is one under which Courts of Chancery act, when a gift for charitable uses cannot be applied according to the exact intention of the donor. In such cases the courts will apply the gift, as nearly as possible (*cy pres*) in conformity with the presumed general intention of the donor; for it is an established maxim in the interpretation of wills, that a court is bound to carry the will into effect if it can see a general intention consistent with the rules of law, even if the particular mode or manner pointed out by the testator cannot be followed.<sup>3</sup> Good illustrations of this doctrine will be found in the *Baliol College Case*,<sup>4</sup> and in the *Ironmongers' Case*.<sup>5</sup>

### 127. *Jackson v. Phillips*.

Another instructive example may be found in the case of *Jackson v. Phillips*.<sup>6</sup> There, one of the trusts in the will was

215, and *Kelly v. Nichols*, 17 R. I. 306; 18 Id. 62.

<sup>1</sup> *Supra*, pp. 191, 192.

<sup>2</sup> 14 Allen, 539.

<sup>3</sup> *Jackson v. Phillips*, 14 Allen, 556; *Bartlet v. King*, 12 Mass. 543; *Inglis v. Sailor's Snug Harbor*, 3 Pet. 117, 118; *Moggridge v. Thackwell*, 7 Ves. 69.

<sup>4</sup> *Att.-Gen. v. Guise*, 2 Vern. 266; *Att.-Gen. v. Baliol Coll.*, 9 Mod. 407; *Att.-Gen. v. Glasgow Coll.*, 2 Collyer, 665; 1 H. L. Cas. 800

<sup>5</sup> *Att.-Gen. v. Ironmongers' Co.*, Cr. & Ph. 208.

<sup>6</sup> 14 Allen, 571. See, also, *Minot v. Baker*, 147 Mass. 348; *Att.-Gen. v. Briggs*, 164 Mass. 561; *Doyle v.*

for "the preparation and circulation of books and newspapers, the delivery of speeches, lectures, and such other means as in their (the trustees), judgment will create a public sentiment that will put an end to negro slavery in this country," and for "the benefit of fugitive slaves escaping from the slaveholding States." After the death of the testator, but while the litigation upon his will was in progress, the amendment to the Constitution of the United States abolishing slavery was adopted. The immediate purpose for which the bequest was designed having thus failed, the case was referred to a master to report a scheme, *cy pres*, for the application of the testator's bounty, and the fund was ultimately applied to the New England Branch of the American Freedmen's Union Commission.

### 128. *Cy pres* doctrine in England, prerogative and judicial.

The above cases will serve to illustrate the *cy pres* doctrine in its general aspect. In England, however, this doctrine appeared in two distinct shapes. It was applied, in the first place, in the exercise of a royal prerogative, delegated to the chancellor under the sign manual of the crown; and, in the second place, by the chancellor in the exercise of his ordinary equitable jurisdiction. By virtue of the first or prerogative power, the chancellor assumed to direct a scheme for the application of a charitable bequest when the particular charitable use designed by the testator was illegal, and therefore void, or when the gift was for an indefinite charitable purpose, and no trustees were named by the donor to carry it out.<sup>1</sup> Thus, where a sum of money was bequeathed to a Jews' synagogue, which bequest, according to the law of England, was illegal, it was applied to the benefit of a foundling hospital. And a bequest for the education of poor children in the Roman Catholic faith has been disposed of by the king under his sign manual.<sup>2</sup> It is obvious that such an extravagant stretch of authority belongs to the executive rather than to the judicial department of government; but from the circumstance that this power was in England exercised by a judicial officer (the chancellor), it has come to be confounded with the purely judicial *cy pres* doctrine, and has necessarily tended to bring the latter into some disrepute.<sup>3</sup> The judicial

Whalen, 87 Me. 414, and Women's Christian Ass'n v. Kansas City, 147 Mo. 103.

<sup>1</sup> Moggridge v. Thackwell, 7 Ves.

83; *In re Pyne* [1903], 1 Ch. 83. See

1 Am. Law Reg. (N. S.) 400, 401.

<sup>2</sup> Story's Eq. Jurisp. § 1168.

<sup>3</sup> But that this power exists some-

*cy pres* doctrine is not, in fact, open to the same objections as the extraordinary assumption of power just described, and within proper limits seems to be a reasonable exercise of judicial discretion. The doctrine is this: Where a gift is made to a trustee for a charitable purpose, the general nature of which is pointed out, and which is lawful and valid at the time of the death of the testator, and no intention is expressed to limit it to a particular institution or mode of application; and afterwards, either by change of circumstances the scheme of the testator becomes impracticable, or by change of law becomes illegal, the fund, having once vested in the charity, does not go to the heirs-at-law as a resulting trust, but is to be applied by the Court of Chancery, in the exercise of its jurisdiction in equity, as near the testator's particular directions as possible, to carry out his general charitable intent.<sup>1</sup> The doctrine as thus stated is well settled by the highest authority in England,<sup>2</sup> and has received the sanction of decisions in this country, in which the subject has been most thoroughly and ably considered. In the Mormon Church Case Mr. Justice Bradley, of the Supreme Court of the United States, summed up the result of the cases thus: "A leading and prominent principle prevailing in them all is that property devoted to a charitable and worthy object, promotive of the public good, shall be applied to the purposes of its dedication, and protected from spoliation and from diversion to other objects. Though devoted to a particular use, it is considered as given to the public, and is, therefore, taken under the guardian-

where in all sovereignties, whether in the executive and legislative or in the judicial branches, is apparent from the decision in the Mormon Church Case, 136 U. S. 1. The term, *cy pres*, has also been used to designate the rule of construction which has sometimes been applied to executory devises or powers of appointment to individuals, in order to avoid the objection of remoteness. It was this doctrine which has been condemned by Lord Kenyon and Lord Eldon. See *Brudenell v. Elwes*, 1 East, 451; *Sugden on Powers*, chap. 9, § 9; *Jackson v. Phillips*, 14 Allen, 574. See, also, *Johnson v. Johnson*, 92 Tenn. 519, where, however, the dis-

inction pointed out in the text does not seem to be clearly explained.

<sup>1</sup> *Jackson v. Phillips*, 14 Allen, 586.

<sup>2</sup> *Att.-Gen. v. Guise*, 2 Vern. 266; *Att.-Gen. v. Baliol Coll.*, 9 Mod. 407; *Att.-Gen. v. Glasgow Coll.*, 2 Collyer, 665; 1 H. L. Cas. 800. See, also, *Bloomfield v. Stowe-market, Duke ou Uses*, 624; *Att.-Gen. v. Hicks*, 3 Bro. C. C. 166, note; *Att.-Gen. v. Craven*, 21 Beav. 392; *Moggridge v. Thackwell*, 7 Ves. 36; *Att.-Gen. v. Ironmongers' Co.*, 2 My. & K. 576; 2 Beav. 313; *Cr. & Ph.* 208; 10 Cl. & Fin. 908; *Att.-Gen. v. Gibson*, 2 Beav. 317, note; *Biscoe v. Jackson*, 35 Ch. D. 460; *In re Slevin* [1891], 1 Ch. 373.



ship of the laws. If it cannot be applied to the particular use for which it was intended, either because the objects to be subserved have failed, or because they have become unlawful and repugnant to the public policy of the state, it will be applied to some object of kindred character, so as to fulfill in substance, if not in manner and form, the purpose of its consecration."<sup>1</sup> It may be added that this doctrine is applicable to cases in which the residuary gift is to charity. In other words, when a particular bequest to charity fails, the subject of the bequest will be applied as nearly as possible to that particular gift, and will not fall into a residuary legacy simply because *that* legacy also happens to be a charitable gift. This rule was laid down in *The Mayor of Lyons v. The Advocate General of Bengal*,<sup>2</sup> and the conclusion reached, after a careful examination of the subject, was that the jurisdiction of the court to act upon the *cy pres* doctrine, upon the failure of a specific charitable bequest, arises whether the residue be given to charity or not, unless upon the construction of the will a direction can be implied that the bequest, if it fails, should go to the residue.<sup>3</sup>

### 129. Soundness of the latter doctrine.

As already stated, this doctrine seems to be free from objection; for it will be observed that thus stated it avoids both of the extravagant conclusions to which the prerogative *cy pres* doctrine led. The gift, if for a charity generally, must be made to *trustees*, thus avoiding the mischief of turning the court into a trustee for a general charity;<sup>4</sup> while, on the other hand, there must be no intention to limit the gift to a particular institution or mode of application, which avoids the obnoxious *cy pres* doctrine in those cases in which bequests were made to particular

<sup>1</sup> *The Late Corporation of the Church of Jesus Christ of Latter Day Saints v. United States*, 136 U. S. 1-61. The decree in this case will be found in 140 U. S. 665. See, also, *Jackson v. Phillips*, 14 Allen, 580, and *City of Philadelphia v. Girard's Heirs*, 45 Pa. 28.

<sup>2</sup> L. R. 1 App. Cas. 91.

<sup>3</sup> *Id.* See, also, *Mills v. Farmer*, 19 Ves. 486, and *Ironmongers' Co v. Att.-Gen.*, 10 Cl. & F. 908.

<sup>4</sup> "Where money is given to char-

ity generally," said Lord Eldon in *Moggridge v. Thackwell*, 7 Ves. 36, "without trustees or objects selected, the king is constitutional trustee." In other words, the fund, in the absence both of trustees and definite objects, was applied at the pure will of the crown. It must be remembered, however, that where there is a charitable object pointed out, the trust will not be suffered to fail for want of a trustee. *McGirr v. Aaron*, 1 Pa. 49. See *Perry on Trusts*, § 722.

charitable uses, but which were applied by the exercise of the prerogative to different objects, because the use designated was illegal.

### 130. Rules of the different states.

It is, nevertheless, true that the *cy pres* doctrine has in many cases in the United States been regarded with considerable disfavor.

In *Fontain v. Ravenel*<sup>1</sup> the Supreme Court of the United States seemed to be opposed to the *cy pres* doctrine; but in *Lorings v. Marsh*<sup>2</sup> and the *Mormon Church Case*<sup>3</sup> the doctrine was approved.

In North Carolina, Connecticut, Indiana, Iowa, Alabama, and Wisconsin the *cy pres* doctrine has been repudiated.<sup>4</sup> In Pennsylvania, although the principles of the statute of Elizabeth were said to have been adopted, the *cy pres* doctrine was rejected;<sup>5</sup> but the doctrine to a limited extent was subsequently introduced by statute.<sup>6</sup> In Maryland and Virginia neither the statute of Elizabeth nor its principles are in force, and charities are treated as ordinary trusts;<sup>7</sup> and the same conclusion has at last been reached in New York, South Carolina, West Virginia, and Wisconsin; and in Minnesota, with certain exceptions.<sup>8</sup>

<sup>1</sup> 17 How. 369.

<sup>2</sup> 6 Wall. 337.

<sup>3</sup> 136 U. S. 1.

<sup>4</sup> *McAuley v. Wilson*, 1 Dev. Eq. 276 (though, in the earlier case of *Griffin v. Graham*, 1 Hawks, 96, the tendency had been very much the other way); *Keith v. Scales*, 124 N. C. 497; *White v. Fisk*, 21 Conn. 31; *Grimes v. Harmon*, 35 Ind. 198; *Lepage v. McNamara*, 5 Ia. 147; *Carter v. Balfour*, 19 Ala. 814; *In re Hoffman's Est.*, 70 Wis. 522 (explained and distinguished in *Harrington v. Pier*, 105 Wis. 485); though see *Williams v. Pearson*, 38 Ala. 307. In West Virginia, see *Venable v. Coffman*, 2 W. Va. 310; *Grant v. Saunders*, 121 Ia. 80.

<sup>5</sup> *Witman v. Lex*, 17 S. & R. 88.

<sup>6</sup> Statutes of 1855, P. L. 331; and of 1895, P. L. 114; and see *Jones v. Renshaw*, 130 Pa. 333. The act of

1885, however, narrowed the limits; P. L. 259. See, also, *Zeisweiss v. James*, 63 Pa. 465 (where *Fontain v. Ravenel* is approved) and *Philadelphia v. Girard's Heirs*, 45 Id. 27. But it seems the doctrine now exists in all its fulness. Act of 1889, P. L. 173. See *Lennig's Estate*, 31 W. N. C. 234 (*per Penrose, J.*).

<sup>7</sup> *Dashiell v. Att.-Gen.*, 5 Har. & J. 392; *Wilderman v. Baltimore*, 8 Md. 551; *State v. Warren*, 28 Id. 338 (see *Needles v. Martin*, 33 Id. 618); *Provost of Dumfries v. Abercrombie*, 46 Id. 172; *Gallego's Ex'rs v. Att.-Gen.*, 3 Leigh, 450; *Baptist Association v. Hart's Ex'rs*, 4 Wheat. 1; *Halsey v. Convent. P. E. Church*, 75 Md. 275; *Trinity M. E. Church v. Baker*, 91 Id. 539. Also in Michigan, see *Hopkins v. Crossley*, 132 Mich. 612; *Jordan v. Trustees*, 107 Va. 85.

<sup>8</sup> *Bascom v. Albertson*, 34 N. Y.

But in many of the states, on the other hand, the *cy pres* doctrine has been received with more favor. In all of the New England states it has been either directly countenanced, or left an open question.<sup>1</sup> In Missouri and Illinois the doctrine has been approved.<sup>2</sup> In New Jersey the question has not been decided, although it has been said that a bequest which would be enforced in England might not be carried into effect in that state, on the ground of the indefiniteness of its objects, or the impracticability of its exact execution.<sup>3</sup>

There seems, indeed, to be no valid reason why the judicial *cy pres* doctrine, as explained in *Jackson v. Phillips*, should not be approved in all those states wherein the statute of Elizabeth has been decided to be in force, or where its principles have been adopted by the law of the state; in other words, in those states where the doctrine that indefiniteness of the object is no objection to a trust, provided it is for a charity, is recognized. This is the case in many of the states of the Union.<sup>4</sup>

584; *Holland v. Alcock*, 108 Id. 336; *Tilden v. Green*, 130 Id. 29 (but see as to the effect of the statute of 1893, *Allen v. Stevens*, 161 N. Y. 122); *Bowman v. Missionary Society*, 182 N. Y. 494; *Pringle v. Dorsey*, 3 S. C. (N. S.) 509. See, also, *Beekman v. Bonsor*, 23 N. Y. 308; *Fosdick v. Hempstead*, 125 Id. 581; *Mong v. Roush*, 29 W. Va. 119; *In re Hoffen's Est.*, 70 Wis. 522. (See, however, as to this last case, *Harrington v. Pier*, 105 Wis. 485, and *Hood v. Dorer*, 107 Id. 149); *Shanahan v. Kelly*, 88 Minn. 202; *Watkins v. Bigelow*, 93 Minn. 210.

<sup>1</sup> *Burr v. Smith*, 7 Vt. 287; *Brown v. Concord*, 33 N. H. 296; *Jackson v. Phillips*, 14 Allen, 570; *Derby v. Derby*, 4 R. I. 439; *Howard v. American Peace Soc.*, 49 Me. 302; *Darcy v. Kelly*, 153 Mass. 433.

<sup>2</sup> *Academy v. Clemens*, 50 Mo. 167. See, however, *Hadley v. Farsee*, 203 Mo. 418; *Gilman v. Hamilton*, 16 Ill. 231; *Hunt v. Fowler*, 121 Id. 269.

<sup>3</sup> *Thomson's Ex'rs v. Norris*, 20 N. J. Eq. 522. The point, however,

was not before the court for decision in this case. See, also, *Att.-Gen. v. Moore's Ex'rs*, 19 Id. 503. In *MacKensie v. Trustees*, 67 N. J. Eq. 675, it was said at p. 676, "The judicial doctrine of *cy pres* as pruned and restrained by modern authorities, English and American and as affected by our own decisions, has a proper place in our jurisprudence."

A testatrix bequeathed the residue of her estate, after paying her debts and certain legacies, to "the hospital fund for sick seamen, at Navy Yard, Brooklyn, New York, care of W, chaplain." W was not chaplain of the Navy Yard and died before testatrix and there was no fund for the benefit of such seamen. Held that the *cy pres* doctrine did not apply and that the bequest lapsed. *Brown v. Condit*, 70 N. J. Eq. 440; *Nichols v. Newark Hospital*, 71 N. J. Eq. 130, *cy pres* doctrine applied.

<sup>4</sup> See *Vidal v. Girard's Ex'rs*, 2 How. 128; *Perin v. Carey*, 24 Id. 465; *Hadley v. Hopkins Academy*, 14 Pick. 240; *Going v. Emery*, 16 Id.

### 131. Nature of the uncertainty which should avoid a charitable gift.

While, however, the reasonable *cy pres* doctrine may be sustained, it is, nevertheless, true that many bequests for charitable purposes are, even in England, considered void by reason of uncertainty;<sup>1</sup> although it is submitted that when properly considered, the uncertainty which avoids the gift is not so much a vagueness in the charitable purpose, as an uncertainty whether the trustees are bound to apply the gift in charity at all.<sup>2</sup> Thus, in *Ellis v. Selby*,<sup>3</sup> the gift was to trustees "to pay and apply the fund to and for such charitable or other purposes as they should

107; *Treat's Appeal*, 30 Conn. 113; *Witman v. Lex*, 17 S. & R. 88; *Zane's Will*, Brightly, 350; *Pickering v. Shotwell*, 10 Pa. 27; *Williams v. Pearson*, 38 Ala. 305; *McCord v. Ochiltree*, 8 Blackf. 15; *Beall v. Fox*, 4 Ga. 404; *Wade v. Am. Col. Soc.*, 7 S. & M. 663; *Dickson v. Montgomery*, 1 Swan (Tenn.), 348; *Urmeys' Ex'rs v. Wooden*, 1 Ohio St. 160; *Johnson v. Mayne*, 4 Ia. 180; *Miller v. Chittenden*, 1d. 252; *Preacher's Aid Soc. v. Rich*, 45 Me. 552; *Trustees v. Chambers*, 3 Jon. Eq. 253; *Potter v. Thornton*, 7 R. I. 252; *Meeting Street Baptist Soc. v. Hall*, 8 Id. 239; *St. Peter's Church v. Brown*, 21 Id. 367; *Walker v. Walker*, 25 Ga. 420; *Church v. Church*, 18 B. Mon. 635 (see Rev. Stats. of Kentucky, 1860, c. 1, § 1); *Chambers v. St. Louis*, 29 Mo. 543; *Paschal v. Acklin*, 27 Tex. 173. There must be a general charitable intention; when it is impossible to determine whether the work or the institution was the more prominent object and the institution is not in existence the legacy will lapse. *Gladding v. Church*, 25 R. I. 628.

<sup>1</sup> Or because it is impossible to compel the trustees to execute the gift, and it is out of the question, without such concurrence, to execute such gift at all. *New v. Bonaker*, L. R. 4 Eq. 655. In this case there was a bequest to the President and Vice-

President of the United States and the Governor of Pennsylvania, upon trust to build and endow a college for the instruction of youth in the state of Pennsylvania; and the testator directed that moral philosophy should be taught in the college, and that a professor should be engaged to inculcate and advocate the natural rights of black people, of every clime and country, until they should be restored to an equality of rights with their white brethren throughout the Union. The trustees having disclaimed, the court held that as they had no power to enforce the trust, they could not settle a charity *cy pres*.

<sup>2</sup> A clause in a will providing that after the death of the testator's wife, "all the rest and residue of my estate I direct shall be used for charitable and religious purposes, my said wife to direct in her lifetime, in what amounts and for what specific purposes said estate shall be used" is not void for uncertainty of the objects of the trust, since the wife has power to make such objects certain. *Welch v. Caldwell*, 226 Ill. 488.

<sup>3</sup> 7 Sim. 352; 1 M. & Cr. 286; *Thomson v. Shakespeare*, 1 Johns. Ch. (Eng.) 612; *In re Macduff, Macduff v. Macduff* [1896], 2 Ch. 461. See, however, *Dolan v. MacDermot*, 3 Ch. App. 676.

think fit;" and it was held that the gift was void, because, from the alternative nature of the bequest, it was not incumbent upon the trustees to apply the fund to *charitable* uses only. The same rule was applied in a comparatively recent case in the House of Lords, where a gift by will, for "such charitable or public purposes as my trustee thinks proper" was held void for the same reason.<sup>1</sup> And although in several other cases in which this rule has been applied, the alternative nature of the gift has not been so apparent,<sup>2</sup> yet it is conceived that the true test to be applied is that suggested by Sir William Grant, in *Morice v. The Bishop of Durham*, viz., whether the property can consistently with the will be applied to other than charitable purposes; if it can, the trust is too indefinite.<sup>3</sup> Such was the test recognized in Michigan, in *The Attorney-General v. Soule*,<sup>4</sup> where the rule laid down by Sir William Grant was expressly followed.

But if the general charitable nature of the trust is imperative, and a trustee has been appointed, the better opinion would seem to be that such a trust will be carried out by the court in spite of the vagueness or uncertainty in the gift.<sup>5</sup> A differ-

<sup>1</sup> *Blair v. Duncan* [1902], A. C. p. 37. See, also, *Hunter v. Attorney General* [1899], A. C. 309. See, however, *McLaughlin v. Att.-Gen.* [1906], 2 Ch. 184.

<sup>2</sup> *Williams v. Kershaw*, 5 Cl. & Fin. 111; *Morice v. The Bishop of Durham*, 9 Ves. 404; *Thomson's Ex'rs v. Norris*, 20 N. J. Eq. 489; *Coleman v. O'Leary's Ex'r*, 114 Ky. 388; *Thompson v. Brown*, 116 Ky. 102.

<sup>3</sup> 9 Ves. 404. See, also, *Rotch v. Emerson*, 105 Mass. 431; *Tilden v. Green*, 130 N. Y. 29; *Darcy v. Kelley*, 153 Mass. 433.

<sup>4</sup> 28 Mich. 153-156. See, also, *Johnson v. Johnson*, 92 Tenn. 559.

<sup>5</sup> *Saltonstall v. Sanders*, 11 Allen, 462; *McLain v. School Directors*, 51 Pa. 199; *Appeal of Children's Hospital*, 10 W. N. C. 313; *Kinike's Estate*, 155 Pa. 101; *Atwater v. Russell*, 49 Minn. 57; *Sappington v. School Fund Trustees*, 123 Mo. 32; *Hadden v. Dandy*, 51 N. J. Eq. 154; *St. James*

*Orphan Asylum v. Shelby*, 60 Neb. 796; *In re Stewart's Estate*, 26 Wash. 32; *Perry on Trusts*, § 712. See, however, *Holland v. Alcock*, 108 N. Y. 312; *Tilden v. Green*, 130 Id. 29, and *Murphy's Estate*, 184 Pa. 310; *Godfrey v. Hutchins*, 28 R. I. 517.

A testatrix by will expressed her desire to devote the greater portion of her estate to charitable purposes, and vested the legal title in certain trustees, giving general directions as to the character of the trust property, designating the name for the fund and further providing "whatever balance there shall remain of said annual income unexpended, said trustees are hereby authorized and directed to give to such charitable purposes as they and their successors in office shall judge will do the most real good, giving preference to several different objects instead of a few." Held that the intention to create a charitable trust was clear

ent rule, however, was laid down in New York. The subject in hand was examined by the Court of Appeals of that state, in 1891, in construing the will of Samuel J. Tilden, and the conclusion reached was thus expressed: "As the selection of the objects of the trust was delegated absolutely to the trustees, there is no person or corporation who could demand any part of the estate or maintain an action to compel the trustees to execute the power in their favor. This is the fatal defect in the will. The will of the trustees is made controlling and not the will of the testator."<sup>1</sup> It must be remembered, however, that it was decided in *Fontain v. Ravenel*,<sup>2</sup> that when a discretion as to the application of the fund to charitable purposes had been vested in executors, and those executors died during the pendency of a prior life-estate, the court would not exercise the discretion, and the gift would fail. And this rule seems to be approved in Pennsylvania.<sup>3</sup>

In *Sherman v. Congregational Missionary Society*<sup>4</sup> there was a gift to "W. C. T. U." (which initials were conceded to mean Women's Christian Temperance Union) or Rest Home in Chicopee Street. It was held that as there was a clear intent to devote the fund to charity, the gift should be divided between the two institutions. But as to this decision it may be remarked that the uncertainty of particular beneficiaries in a given class will not, according to what (it is conceived) is the true doctrine, render the gift void; but that an uncertainty as to which of two classes of beneficiaries the gift is to be applied would appear to be open to the same argument against its validity because of uncertainty as a bequest to either of two individuals (*say*) A or B.

and the gift was sufficiently definite for judicial cognisance. *Selleck v. Thompson*, 28 R. I. 350.

<sup>1</sup> *Tilden v. Green*, 130 N. Y. 29. A similar ruling had been made a few years previously in *Holland v. Alcock*, 108 Id. 312. See, also, *Gambell v. Trippe*, 75 Md. 252, and *People v. Powers*, 147 N. Y. 104. See, in this connection, *Allen v. Stevens*, 161 N. Y. 122, and *Keith v. Scales*, 124 N. C. 497. In this last case the difference between the *Tilden Will Case* and *Vidal v. Girard's Ex'rs*, is pointed out.

<sup>2</sup> 17 How. 369.

<sup>3</sup> *Zeisweiss v. James*, 63 Pa. 465.

Testatrix directed her executors in default of written directions by her, to distribute a fund "among such religious charitable and benevolent purposes and objects or institutions as in their discretion shall be best and proper." Held, that a valid trust was created. *Dulles's Estate*, 218 Pa. 162.

<sup>4</sup> 176 Mass. 349. The gift of the real estate in the same will, would seem to be governed by other rules.

### 132. Resulting trusts in cases of charitable gifts.

It sometimes happens that the particular charitable purposes specified or supposed to be contemplated by the testator do not exhaust the whole of the income of the property devoted by the will to charity. The general rule may be stated to be that if an intention can be gathered from the will to devote the whole to charity, the circumstance that the specific appropriation covers only a certain part, or that the estate afterwards becomes of a value more than sufficient to satisfy the requirements of the gift, will not create a resulting trust *pro tanto* for the heir or the next of kin, but that the surplus also will be devoted to the charitable purpose. This doctrine has existed since the time of Lord Coke, and is generally referred to as the rule in the Thetford School Case.<sup>1</sup> In that case the testator, having land let at a rent of £35 a year, bequeathed a sum of £35 a year "to the charitable uses hereinafter mentioned, that is to say," and then he said to the school-master so much, to the usher so much, proportions of the whole. In the process of time, the rents increased to a greater yearly value than £35, and it was decided that the surplus also was to be appropriated to the charity.<sup>2</sup> However, if the testator, by the terms of the bequest takes notice of the fact that the payments are less than the amount of the rents, there will be either a resulting trust, or the surplus will belong to the person to whom the estate is given, and by whom the payments are to be made.<sup>3</sup>

In this class of cases, however, it is difficult, and perhaps impossible, to lay down any general rule. The decision in each case must depend upon the instrument to be construed and the facts.<sup>4</sup>

### 133. Perpetuities and accumulations.

Another characteristic of a charitable use which demands attention is that it is not subject to the ordinary rules in regard to perpetuities. Ordinarily, a perpetuity will no more be tolerated when it is covered with a trust than when it displays itself undisguised in a settlement of the legal estate,<sup>5</sup> and

<sup>1</sup> 8 Rep. 130, b.

<sup>2</sup> See, also, *Mayor of Beverly v. Att.-Gen.*, 6 H. L. Cas. 318; *Att.-Gen. v. Dean of Windsor*, 8 Id. 369; *Girard v. Philadelphia*, 7 Wall. 1; *Att.-Gen. v. Wax Chandlers' Co.*

L. R. 8 Eq. 452; 2 Redfield on Wills, 796.

<sup>3</sup> *Mayor of Beverly v. Att.-Gen.*, 6 H. L. Cas. 310; Hill on Trustees, 129.

<sup>4</sup> *Perry on Trusts*, § 725.

<sup>5</sup> 1 Lewin on Trusts, \*97; Duke of

therefore a perpetual trust cannot be created for an individual and his heirs in succession, forever.<sup>1</sup> But when the trust is for a charity, it is no objection to it that the property may remain in the hands of the trustees and their successors for all time.<sup>2</sup> Indeed, it is often one of the main objects of a gift to charity that the charitable use of the property should be perpetual; and, moreover, it must be remembered that, from this devotion to charitable uses, it does not necessarily follow that the property is never to be alienated, for the court can decree the sale of any trust property when the exigency of the case arises.<sup>3</sup> In Maryland, however, it is held that the rule against perpetuities applies to trusts for charitable or religious uses, as well as to a trust for any other purpose;<sup>4</sup> and in New York, also, trusts for charities, under the peculiar law of that state, have been held to be subject to the rules against perpetuities in the same way as ordinary trusts.<sup>5</sup> But in a later New York case the court held that under the Act of 1893, trusts for charities are not so subject.<sup>6</sup>

The rule against perpetuities, however, *does* apply to a grant or devise to a charity after one to a private person, as well as to a grant or devise to a private person, although limited over after an immediate gift to a charity. But where there is no limitation over, and the charitable gift fails, the rule will not prevent the heir from taking by a resulting trust.<sup>7</sup>

In general, trusts for accumulation beyond the period allowed by the common law, *i. e.*, a life or lives in being and twenty-one years afterwards, are void;<sup>8</sup> but in the case of trusts for chari-

Norfolk's Case, 3 Ch. Cas. 20; Perry on Trusts, § 33.

<sup>1</sup> *Thellusson v. Woodford*, 4 Ves. 227; 11 Id. 112.

<sup>2</sup> *Perin v. Carey*, 24 How. 495; *Duggan v. Slocum*, 34 C. C. A. 676; *Jones v. Watford*, 62 N. J. Eq. 339; *Yard's Appeal*, 63 Pa. 99; *Andrews v. Andrews*, 110 Ill. 223; *Staines v. Burton*, 17 Utah, 331; *Asylum v. Lefebre*, 69 N. H. 238. See *In re Dean*, 41 Ch. D. 552, where the gift was to take care of certain horses, ponies and hounds for their lives.

<sup>3</sup> *Perry on Trusts*, § 737; Id. § 24, and cases cited in note; *Brown v. Meeting St. Bapt. Soc.*, 9 R. I. 177; *Barr v. Weld*, 24 Pa. 84; *Sellers*

*Church's Petition*, 139 Pa. 67; *Mills v. Davison*, 54 N. J. Eq. 659 (a case of restraint on alienation), and *Asylum v. Lefebre*, 69 N. H. 238, a case of like restraint. See, also, *Lackland v. Walker*, 151 Mo. 210, and *Women's Chris. Ass'n v. Kansas City*, 147 Id. 103.

<sup>4</sup> *Missionary Society v. Humphreys*, 91 Md. 131.

<sup>5</sup> *Levy v. Levy*, 33 N. Y. 97; *Bascom v. Albertson*, 34 Id. 584; *Tilden v. Green*, 130 Id. 29; *Booth v. Baptist Church*, 126 Id. 215.

<sup>6</sup> *Allen v. Stevens*, 161 N. Y. 122.

<sup>7</sup> *Hopkins v. Grimshaw*, 165 U. S. 355.

<sup>8</sup> *Perry on Trusts*, §§ 393, 394.



ties, where there are no statutory regulations upon the subject trusts for accumulation beyond the common-law period are allowed.<sup>1</sup>

If, however, the charitable trust is not to vest until after the determination of a prior gift, and that prior gift may by possibility last longer than the time allowed by law, the gift over to charity will be void, because of the perpetuity in the first taker.<sup>2</sup> Of course, this rule would not apply when the first gift is to a charity.<sup>3</sup>

### 134. Statutes of mortmain.

In England a conveyance or devise of real estate in trust for a charitable or public institution, being a *corporation*, is inoperative by the statute of mortmain unless sanctioned by a license from the crown.<sup>4</sup> These statutes, however, are not in force and have not been adopted in the United States, and the English decisions upon this subject are therefore of no importance in this country.<sup>5</sup>

<sup>1</sup> See *Odell v. Odell*, 10 Allen, 1; *St. Paul's Ch. v. Att.-Gen.*, 164 Mass. 188; *Woodruff v. Marsh*, 63 Conn. 125; *Crerar v. Williams*, 145 Ill. 625; *City of Philadelphia v. Girard's Heirs*, 45 Pa. 9. This last case is distinguished from the case of *Hillyard v. Miller*, 10 Id. 326; *Perry on Trusts*, § 738; *Codman v. Brigham*, 187 Mass. 309.

<sup>2</sup> *Hillyard v. Miller*, 10 Pa. 335; *City of Philadelphia v. Girard's Heirs*, 45 Id. 29; *Perry on Trusts*, § 736.

<sup>3</sup> *Lennig's Estate*, 154 Pa. 209; *Christ's Hospital v. Grainger*, 16 Sim.

83; 1 MacN. & G. 460; *McDonogh's Ex'rs v. Murdoch*, 15 How. 415; *Potter v. Thornton*, 7 R. I. 252; *Perry on Trusts*, § 736; *Storrs Agr. School v. Whitney*, 54 Conn. 342; *Almy v. Jones*, 17 R. I. 265.

<sup>4</sup> *Hill on Trustees*, 455.

<sup>5</sup> 2 Kent's Com. 282. In Pennsylvania the statutes of mortmain were reported to be in force by the judges; see 3 Binney, App. 626; but a contrary opinion has been subsequently expressed. *Magill v. Brown*, Brightly, 350; *Vidal v. Girard's Ex'rs*, 2 How. 128.

## CHAPTER VI.

## TRUSTEES; THEIR POWERS AND DUTIES.

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| <p>135. Jurisdiction of Courts of Equity over trustees.</p> <p>136. Who may be a trustee; corporations.</p> <p>137. Acceptance of the trust.</p> <p>138. General duties of trustees.</p> <p>139. Conversion of securities; deposits.</p> <p>140. Investments by trustees; English rule.</p> <p>141. Rules in the United States.</p> <p>142. When trustees are chargeable with interest.</p> | <p>143. Trustee cannot use his position for his own advantage.</p> <p>144. Compensation of trustees; difference between English rule and that in most of the United States.</p> <p>145. Trustee cannot delegate his authority.</p> <p>146. Responsibility for acts of co-trustee.</p> <p>147. Remedies for breach of trust.</p> <p>148. Trustees' Accounts.</p> |
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**135. Jurisdiction of Courts of Equity over trustees.**

THE general nature of a trust having been explained, and the different modes in which the relationship of trustee and *cestui que trust* may arise having been pointed out, it will be proper now to proceed to a brief consideration of some of the rules by which the conduct of the holder of the legal title is governed, and by which his relations with co-trustees, with strangers, and with the *cestui que trust* are regulated. The promulgation and enforcement of these rules fall necessarily and properly within the jurisdiction of courts of equity, for it is but reasonable that those courts, after having called the equitable title into existence, should continue to exercise over it a constant care and supervision.<sup>1</sup> Equity affords this protection by appointing and removing trustees, by superintending their discharge of the duties of the trust, by regulating their liability, by filling a vacancy or vacancies in the office of trustee, and, finally, by affording the trustees, upon a proper application and upon proper cause shown, the advice and assistance of the court.

Moreover, if a trustee wishes to be relieved of the duties of

<sup>1</sup> See *Dorsey v. Garey*, 30 Md. 489, 495.

his office, he must, as a general rule, apply to a court of equity to be discharged. He cannot discharge himself of his trust without the assent of the *cestui que trust* or the direction of a Court of Chancery.<sup>1</sup>

The manner in which courts of equity interfere for these purposes depends, at the present day, very much upon statutory regulations; and the liabilities and duties of trustees are also, in very many instances, governed by statutes, the details of which in the different states, and in England, it would be quite impossible, in a treatise like the present, to explain. Nor is it possible to enter into a discussion of all the different duties which trustees are called upon to discharge, for they necessarily vary with the varied purposes for which trusts are created. They have been most elaborately examined in modern times in works devoted expressly to the subject. It is desirable, however, before leaving the consideration of the subject of trusts, that some of the more general questions connected with the jurisdiction of chancery over trustees should be noticed.

### 136. Who may be a trustee ; corporations.

Any reasonable being may be a trustee;<sup>2</sup> and a corporation, though it has but an artificial existence, may be a trustee for purposes germane to the objects of its corporate life.<sup>3</sup> The

<sup>1</sup> *Shepherd v. McEvers*, 4 Johns. Ch. 136; *Damon v. Hyde*, 11 Hawaii, 153.

<sup>2</sup> Infants, married women, and bankrupts may be trustees. See *Perry*, §§ 48 *et seq.*; *Curran v. Green*, 18 R. I. 329. "But it does not follow that whoever is capable of taking a trust is capable of performing or executing it. The inquiry, then, is not so much who may take in trust as who may execute and perform a trust." *Perry*, § 20; *In re Tempest*, L. R. 1 Ch. 487. See *Lewin* (10th Eng. ed.), 36. While a *cestui que trust* may be invested with the powers of and permitted or required to act as a trustee yet his interest as *cestui que trust*, especially when it is for life only, being at variance with his duty as trustee, courts will not adopt a construction of a will in-

volving such conflict of interest unless the testator's intent to accomplish such result is clear. *Vreeland's Est.*, 66 N. J. Eq. 297. A deed or will does not create a trust unless there is a separation of the legal estate from the beneficial enjoyment and a trust cannot exist when the same person possesses both. *Doan v. Vestry*, 103 Md. 662.

<sup>3</sup> *Vidal v. Girard's Ex'rs*, 2 How. 188, 190; *Girard v. Philadelphia*, 7 Wall. 1; *McDonogh's Ex'rs v. Murdoch*, 15 How. 367; *Philadelphia v. Fox*, 64 Pa. 160; *Mayor of Phila. v. Elliott*, 3 Rawle, 170; *Cresson's Appeal*, 30 Pa. 447; *Commissioners v. Walker*, 6 How. (Miss.) 184. In this connection reference may be made to the case of *Franklin's Estate*, 150 Pa. 437. But the soundness of this decision may be doubted. Incapacity

United States, and each one of the separate states, may sustain the character of trustees.<sup>1</sup> The only difficulty in such cases is the same as that which existed in England when the king was trustee, viz., in enforcing a decree of a court against the sovereign power.<sup>2</sup> Gifts to unincorporated societies in trust for charitable purposes have been sustained in equity, although the decisions on this point have not been uniform.<sup>3</sup> If a valid trust has been created, and no trustee has been appointed, or a trustee has been appointed who is incompetent to act, equity will appoint a trustee; for it is a cardinal maxim in Courts of Chancery upon this subject that a trust shall never be suffered to fail for want of a trustee.<sup>4</sup> Thus, if a corporation should be designated as a trustee, and the objects of the trust should be such that the corporation, from its very nature, would be incapable of carrying them out, a Court of Chancery will appoint a trustee who will be able to discharge the duties of the trust.<sup>5</sup>

### 137. Acceptance of the trust.

In cases of express trusts it is necessary that the trust should

to act as a trustee under an express trust would not seem to relieve the holder of a legal title from the duty of conveying it to the equitable owner; and this is all that a trustee under a resulting or constructive trust would be required to do. See, as relevant to this point, *Frazier v. St. Luke's Ch.*, 147 Pa. 256; *Clayton v. Hallett*, 30 Colo. 231.

<sup>1</sup> *McDonogh's Ex'rs v. Murdoch*, 15 How. 367; *Case of the Smithsonian Institution*, cited in *Whicker v. Hume*, 7 H. L. Cas. 141; *U. S. Stats.*, vol. V., p. 64, IX., p. 102; *Mitford v. Reynolds*, 1 Phil. 185; *Nightingale v. Goulbuorn*, 2 Id. 594; 5 Hare, 484. It was deemed that the United States could be trustee in *Levy v. Levy*, 33 N. Y. 97; *Shoemaker v. Com'rs*, 36 Ind. 176.

<sup>2</sup> See *New v. Bonaker*, L. R. 4 Eq. 655; *Hill on Trustees*, 50; *Perry on Trusts*, §§ 40, 41. *Ante*, § 52.

<sup>3</sup> *Vidal v. Girard's Ex'rs*, 2 How. 127; *Burbank v. Whitney*, 24 Pick.

146; *Magill v. Brown*, *Brightly*, 350; *Pickering v. Shotwell*, 10 Pa. 27; *Cone v. Cone*, 61 S. C. 512; though see *Baptist Assoc. v. Hart's Ex'rs*, 4 Wheat. 1; *Weaver v. Spurr*, 56 W. Va. 95, and *St. Peter's Church v. Brown*, 21 R. I. 367; *Perry on Trusts*, § 46.

<sup>4</sup> *Perry on Trusts*, § 38; *Woodruff v. Woodruff*, 44 N. J. Eq. 349; *Skinner v. Harrison Twp.*, 116 Ind. 139; *Seda v. Huble*, 75 Ia. 429; *Grant v. Saunders*, 121 Ia. 80; *Childs v. Waite*, 102 Me. 451; *Wood v. Church*, 26 R. I. 594; *Dwyer v. Cahill*, 228 Ill. 617.

<sup>5</sup> *Vidal v. Girard's Ex'rs* (*supra*); *Sonley v. Clockmakers' Co.*, 1 Bro. Ch. 81; *Mormon Church Case*, 136 U. S. 1; *Matter of Griffin*, 167 N. Y. 71; *Perry on Trusts*, § 45. Or where the trustees appointed have ceased to exist (in this case selectmen of the city of Boston) the court will appoint other trustees from the class of citizens indicated by the will. *Boston v. Doyle*, 184 Mass. 373.

be accepted by the trustee, either expressly or impliedly; and whether there has been such an acceptance is a question of fact of a kind proper for the determination of a jury.<sup>1</sup> The best and most effectual method of accepting a trust is by signing the trust deed; but an acceptance may be equally inferred from any acts of the trustee in and about the execution of the trust.<sup>2</sup> If it is desired not to accept the trust, great care should be exercised not to do any act which might be construed into an acceptance. Even an instrument, drawn for the purpose of *disclaiming* a trust, has been construed to be an acceptance of it, because it was in the form of a conveyance, which was a dealing with the trust estate.<sup>3</sup>

If an effectual disclaimer is made, the legal estate will not vest in the intended trustee.<sup>4</sup>

### 138. General duties of trustees.

The duties of trustees may be said in general terms to be embraced in the obligation to protect and preserve the trust property, and to see that it is employed solely for the benefit of the *cestui que trust*. Thus, trustees for the payment of debts should take care that all the assets are properly got in, that as much as possible is realized from them, that creditors are ascertained, their claims investigated, and the funds properly applied in the due payment of their demands.<sup>5</sup> Trustees for sale are to see that a sale takes place within a reasonable time,<sup>6</sup> that the property is disposed of on the most advantageous terms, that all means are used for the purpose of obtaining buyers and securing a fair sale, and that the purchase-money is collected. Trustees for charities must take care that the income is applied to the charitable purposes to which it was directed by the instrument creating the trust, and none other, and that the wishes of the donor are carried out consistently with the rules of law. In fine, it would be impossible to enumerate the duties which the multifarious purposes for which trusts are created impose

<sup>1</sup> *Armstrong v. Morrill*, 14 Wall. 139.

<sup>2</sup> *Perry on Trusts*, § 260. See *Salter v. Salter*, 80 Ga. 178.

<sup>3</sup> *Crewe v. Dicken*, 4 Ves. 97; *Urch v. Walker*, 3 M. & C. 702; *Perry on Trusts*, § 271.

<sup>4</sup> *In re Birchall*, 40 Ch. D. 436.

<sup>5</sup> *Chambersburg Savings Fund Association's Appeal*, 76 Pa. 293.

<sup>6</sup> See *Walker v. Shore*, 19 Ves. 387; *Hunt v. Bass*, 2 Dev. Eq. 297; *Morris v. Morris*, 4 Jur. (N. S.) 802-964.

upon the trustees—for to do so would be to write a work not upon the general principles of equity, but upon trusts.

Speaking very generally, in passing upon the subject of the proper discharge of his duties by a trustee, it has been said that the true question is whether, considering all the circumstances, he has displayed such prudence and diligence in conducting the affairs of the trust as men of average prudence and discretion would employ in their own affairs.<sup>1</sup> Perhaps the truer rule would be that a trustee must exercise such prudence and diligence as a careful business man would display in investing, not his own money, but the money of others. The fact that the money does not belong to the investor must always be an element to be considered by the trustee. The rules of prudence in the two cases differ. In the case of his own money, a man may take a risk which the rules of prudence would justify. Where the money of another is at stake, the rule of prudence may forbid the risk.<sup>2</sup>

### 139. Conversion of securities ; deposits.

The first general duty of trustees is to take possession of the trust property, to call in debts,<sup>3</sup> and to convert such securities as are not legal investments.<sup>4</sup> In converting securities they must exercise a sound discretion to sell in the most advantageous manner and at the most advantageous time.<sup>5</sup> They ought not to suffer trust property to remain in securities not authorized by law, unless there is something in the instrument creating the trust to justify such a course.<sup>6</sup> As personal securities are not recognized by law as a proper investment, an executor should

<sup>1</sup> *Purdy v. Lynch*, 145 N. Y. 462. See, also, *Bartol's Estate*, 182 Pa. 410, and *Nagle v. Robins*, 9 Wyoming, 211.

<sup>2</sup> *Hart's Estate*, 203 Pa. 480, and the remarks of Dean, J., on pp. 485-486.

<sup>3</sup> See *In re Brogden*, 38 Ch. D. 546, where a trustee under a marriage settlement was held responsible for failure to make diligent efforts to collect the sum of ten thousand pounds covenanted to be paid by the settlor within five years after his death.

<sup>4</sup> See *In re Chapman*, *Cocks v.*

*Chapman* [1896], 2 Ch. 763, as to the measure of time allowed.

<sup>5</sup> *Perry on Trusts*, § 439.

<sup>6</sup> And where discretion as to investments is allowed it must be *honestly* exercised. *In re Smith*, *Smith v. Thompson* [1896], 1 Ch. 71; *Matter of Hall*, 164 N. Y. 196. A power to sell and reinvest does not authorize the trustees to incorporate the estate. *Garesche v. Levering Inv. Co.*, 146 Mo. 436.

Where a deed of trust gives to the trustee the power to "sell and convey in fee simple the whole or any part of the trust estate . . . provided,

not allow the assets to remain outstanding in such securities, although the loan or investment had been made by the testator himself.<sup>1</sup> Of course, there is no duty to convert securities, if by the terms of the trust instrument there is a sufficient indication that the *cestui que trust* was intended to enjoy the interest, income, or dividends of the specific securities.<sup>2</sup>

After securities have been converted, the funds should be deposited in a proper place.

A trustee will not be liable for the failure of a bank in which trust funds have been deposited, if he has suffered them to remain there only for a reasonable time;<sup>3</sup> but if he allows them to lie there by way of investment, he will be liable to make good their loss.<sup>4</sup> But he must be careful to make the deposit in the name of the trust estate, and not to his own credit; and not to mix trust funds with his own, otherwise he will be liable.<sup>5</sup>

#### 140. Investments by trustees; English rule.

Supposing the trust property to have been converted into cash, the next duty of the trustee will be to see that the fund is invested in proper securities, and in such a way that it may be made available for the purposes of the trust.<sup>6</sup>

however, that the principal of the estate shall not become impaired or encumbered," the trustee has no power to pledge a mortgage belonging to the estate as security for a loan; and if he does so and embezzles the proceeds, the pledgee of the mortgage will be compelled to reassign it to the trust estate. *Kenworthy v. Levi*, 214 Pa. 235.

<sup>1</sup> *Powell v. Evans*, 5 Ves. 839; *Greyburn v. Clarkson*, L. R. 3 Ch. 606; *Hemphill's App.*, 18 Pa. 303; *Pray's Appeal*, 34 Id. 100 (overruling *Barton's Appeal*, 1 Pars. Eq. 24); *Kimball v. Reding*, 11 Foster, 352; *King v. Talbot*, 40 N. Y. 76; *Perry on Trusts*, § 440; *Hill on Trustees*, 582 (4th Am. ed.).

<sup>2</sup> *Perry on Trusts*, §§ 450, 451; *Hill on Trustees*, *ut sup.*

<sup>3</sup> *Rowth v. Howell*, 3 Ves. 365; *Swinfen v. Swinfen* (No. 5), 29 Beav. 211; *Law's Estate*, 144 Pa. 400.

<sup>4</sup> *Rehden v. Wesley*, 29 Beav. 213; *Moyle v. Moyle*, 2 R. & M. 710; *Johnson v. Newton*, 11 Hare, 160; *Perry on Trusts*, § 443; *Matter of Knight*, 21 Abb. N. C. 388. See *In re Grammel's Est.*, 120 Mich. 487.

<sup>5</sup> *Wren v. Kirton*, 11 Ves. 337; *Commonwealth v. McAlister*, 28 Pa. 486; *Jenkins v. Walter*, 8 G. & J. 218; *Lukens's Appeal*, 7 W. & S. 48; *Stanley's Appeal*, 8 Pa. 431; *Royer's Appeal*, 11 Id. 36; *De Jarrette v. De Jarrette*, 41 Ala. 709; *Perry on Trusts*, §§ 443, 463. See, also, *Frith v. Cartland*, 2 Hen. & M. 417; *Marine Bank v. Fulton Bank*, 2 Wall. 252; *Kip v. The Bank of New York*, 10 Johns. 65; *Kennedy v. Strong*, Id. 289; *School, etc., v. Kirwin*, 25 Ill. 73; *Brown v. Ricketts*, 4 Johns. Ch. 308; *Hill on Trustees*, 575 (4th Am. ed.); *Corya v. Corya*, 119 Ind. 583.

<sup>6</sup> The trustee cannot supinely allow

As courts of equity in England were in the habit of directing moneys, which were in the custody of the court to be invested in £3 per cent. annuities, it came to be considered an established duty on the part of trustees to invest trust moneys in those funds.<sup>1</sup> Several statutes, however, have been passed by which many other securities have been designated as lawful investments for trustees. Thus trustees are now allowed by act of parliament to invest in real securities in any part of the United Kingdom, and Bank of England, or Bank of Ireland, or East India Stock; unless such investments are expressly forbidden by the trust instrument.<sup>2</sup>

### 141. Rules in the United States.

A trustee cannot invest the trust funds in personal securities; and even if he has a discretion as to investments, it is not a sound exercise of that discretion to invest in such securities.<sup>3</sup> This is the rule in England and in the United States.<sup>4</sup> So, also, for a trustee, in the absence of express authority, to employ trust funds in trade or speculation, will be a gross breach of trust.<sup>5</sup> In England a trustee must not invest in bank stock or

the trust funds to remain uninvested. *Whitecar's Estate*, 147 Pa. 368.

<sup>1</sup> *Smith's Manual of Equity*, 194. See *Brown v. Wright*, 39 Ga. 26; *King v. Talbot*, 40 N. Y. 76.

<sup>2</sup> 22 and 23 Vict., c. 35, § 30; 23 and 24 Vict., c. 35, § 11; *Id.*, c. 145; 30 and 31 Vict., c. 132, § 2; Local Loans Act, 1875, 38 and 39 Vict., c. 83, § 27. See *Hill on Trustees*, 560 (4th Am. ed.).

<sup>3</sup> See *Knox v. MacKinnon*, 13 App. Cas. 753, and *Mattocks v. Moulton*, 84 Me. 545.

<sup>4</sup> *Walker v. Symonds*, 3 Swans. 81, note (a), citing *Ryder v. Bickerton* (where Lord Hardwicke said that "a promissory note is evidence of a debt, but not security for it"); *Adye v. Feuilleteau*, 1 Cox, 25; *Holmes v. Dring*, 2 Id. 1 [see *In re Rayner*, *Rayner v. Rayner* (1904), 1 Ch. 176, where it was queried whether the word "securities" had not changed so as to in-

clude stocks and shares]. *Smith v. Smith*, 4 Johns. Ch. 281; *Nyce's Estate*, 5 W. & S. 256; *Swoyer's Appeal*, 5 Pa. 377; *Wills's Appeal*, 22 Id. 330; *Gray v. Fox*, Saxton (Ch.), 259; *Harding v. Larned*, 4 Allen, 426; *Clark v. Garfield*, 8 Id. 427; *Moore v. Hamilton*, 4 Fla. 112; *Spear v. Spear*, 9 Rich. Eq. 184 [see, however, *Nance v. Nance*, 1 S. C. (n. s.) 209]; *Barney v. Saunders*, 16 How. 545; *Perry on Trusts*, § 453; *Dufford v. Smith*, 46 N. J. Eq. 216; *Allis's Estate*, 123 Wis. 223. If a trustee is authorized to invest in "public companies," this does not mean "foreign public companies;" for it is impossible for the court to tell what are public companies according to foreign law. *In re Castlehow* [1903], 1 Ch. 352.

<sup>5</sup> *Perry on Trusts*, § 454. See *Poole v. Munday*, 103 Mass. 174, for an exceptional case where the rule was not enforced.



shares of public companies, and the rule is the same in New York and Pennsylvania.<sup>1</sup> But in Massachusetts the rule is different.<sup>2</sup>

Mortgages on real estate are considered proper investments for trustees in the United States, and in England the investment in such securities is now authorized by statute.<sup>3</sup>

In several of the United States the subject of investments by trustees is expressly regulated by statute.<sup>4</sup>

If a trustee invests in securities which he is not authorized to buy, the *cestui que trust* may elect to adopt or to reject the investment. If the investment is rejected, it belongs to the trustee subject to a lien for the purchase-money in favor of the trust estate. If, however, the trustee invests in securities which he is authorized to buy, but fails to use due care in the purchase of them, the investment belongs to the trust estate, and the trustee is liable to make good any loss which may ensue.<sup>5</sup>

It is proper to add that the foregoing statements of the law in reference to investments apply to *trustees* properly so called; they may not be applicable to persons who may be styled quasi-trustees or trustees *sub modo*—as, for instance, the manager of a trading company or the directors of a bank or a railway. Investments by such persons “are to be judged, not by the rules which have been laid down as to the investment of settled funds, but (more nearly, at all events) by those which regulate the duties of the managing partners of an ordinary trading firm as

<sup>1</sup> *Ackerman v. Emott*, 4 Barb. 626; *Hemphill's Appeal*, 18 Pa. 303; *Worrell's Appeal*, 22 Id. 44; *Perry on Trusts*, § 456; *Hill on Trustees*, 578 (4th Am. ed.). In Kentucky (Statutes, § 4706) trust funds may be invested in the bonds of any railroad which has been in operation more than ten years and has not during that time defaulted in the payment of its bonded debt. *Aydelott v. Breeding*, 111 Ky. 847; *Deposit Bank v. Rose*, 113 Ky. 946.

<sup>2</sup> *Harvard Coll. v. Amory*, 9 Pick. 446; *Lovell v. Minot*, 20 Id. 116; *Perry on Trusts*, § 456. But is responsible for the exercise of a sound discretion in making such invest-

ments. *Davis' Appeal*, 183 Mass. 499; *Thayer v. Dewey*, 185 Mass. 68.

<sup>3</sup> *Perry on Trusts*, §§ 457, 458; Stat. 22 and 23 Vict., c. 35 (Lord St. Leonard's Act). As to what should be the amount of the loan in proportion to the value of the property, see *Lewin on Trusts*, 363–365 (10th Eng. ed.); *In re Olive*, 34 Ch. D. 72.

<sup>4</sup> *Perry on Trusts*, § 459. See *Cridland's Estate*, 132 Pa. 486; *Waller v. Catlett*, 83 Va. 200, where an investment in Confederate bonds was held not to be a breach of trust, since the trustee acted “in good faith and with the lights of that time.”

<sup>5</sup> *In re Salmon*, 42 Ch. D. 351.

between themselves and those partners who do not take an active part in the conduct of the firm's business."<sup>1</sup>

### 142. When trustees are chargeable with interest.

A trustee is chargeable with interest on balances that he improperly retains in his hands, and sometimes with compound interest;<sup>2</sup> and he is also so chargeable when he mixes the trust funds with his own and deposits them in his own name;<sup>3</sup> but not otherwise.<sup>4</sup> Moreover, if a trustee is directed by a trust instrument to invest in a particular stock, and neglects to do so, the *cestui que trust* has his election to take the money and legal interest thereon, or so many shares of stock as the money would have purchased at the time when the investment ought to have been made, and the dividends on the same.<sup>5</sup> And so, if a trustee embarks the trust funds in business, the *cestui que trust* may take either the amount with interest, or the profits of the business;<sup>6</sup> but if he elects to take the latter, he must take them *cum onere*, and must share the losses.<sup>7</sup>

<sup>1</sup> *Per* Sterling, J., in *Leeds Est. Building and Investment Co. v. Shepherd*, 36 Ch. D. 798. See what is said by the same judge to the same effect in the *Sheffield and South Yorkshire Permanent Building Society v. Aislewood*, 44 Ch. D. 454. See, also, the remarks of Kay, J., in *re Faure Electric Accumulator Company*, 40 Ch. D. 150, and the cases referred to by him.

<sup>2</sup> See *Penny v. Avison*, 3 Jur. (N. S.) 62; *Barclay v. Andrew* [1899], 1 Ch. 674; *Schiefflin v. Stewart*, 1 Johns. Ch. 620; *Manning v. Manning*, Id. 536 (see *Minini v. Cox*, 5 Id. 448, for a case in which the trustee was not charged); *Bruner's Appeal*, 57 Pa. 46; *Norris's Appeal*, 71 Id. 123; *Gray v. Thompson*, 1 Johns. Ch. 82; *In re Ricker's Estate*, 14 Mont. 153; *Noble v. Jackson*, 124 Ala. 311; *Jacoway v. Hall*, 67 Ark. 340; *Sanquinnett v. Webster*, 153 Mo. 343.

<sup>3</sup> *Verner's Estate*, 6 Watts, 251;

*Dyott's Appeal*, 2 W. & S. 565; *Robinet's Appeal*, 36 Pa. 174; *Wistar's Appeal*, 54 Id. 60; *Hess's Estate*, 68 Id. 458; *In re Assignment of Murdoch & Dickson*, 129 Mo. 488; *In re Thompson*, 101 Cal. 349; *St. Paul's Trust Co. v. Kittson*, 62 Minn. 408; *Re Hodges' Estate*, 66 Vt. 70; *Noble's Estate*, *Irwin's Appeal*, 178 Pa. 460.

<sup>4</sup> *Hess's Estate*, 68 Pa. 458. See *Mathewson v. Davis*, 191 Ill. 391, for a case in which the trustee was not charged.

<sup>5</sup> *Shepherd v. Moulds*, 4 Hare, 504; *Robinson v. Robinson*, 1 De G., M. & G. 256; *Byrchall v. Bradford*, 6 Mad. 235; *Perry on Trusts*, § 469. See, also, *McIntire v. Zanesville*, 17 Ohio St. 352; *Norris's Appeal*, 71 Pa. 125; *Lamb's Appeal*, 58 Id. 142; *Key v. Hughes's Ex'rs*, 32 W. Va. 184.

<sup>6</sup> *Jones v. Foxall*, 15 Beav. 392; *In re Davis* [1902], 2 Ch. 314; *Robinet's Appeal*, 36 Pa. 174; *Kyle v. Barnett*, 17 Ala. 306; *Barney v. Saunders*,

<sup>7</sup> *Small's Estate*, 144 Pa. 293.

### 143. Trustee cannot use his position for his own advantage.

It is one of the fundamental principles of trusts, that a trustee cannot use his position as a trustee for his own advantage in any way.<sup>1</sup> He must have an eye single to the interests of the *cestui que trust*. The rule in the Rumford Market Case, and similar cases already noticed under the head of Constructive Trusts, are illustrations of the strictness with which this rule is enforced.<sup>2</sup> A trustee cannot make any profit at the expense of the trust estate;<sup>3</sup> he cannot use trust funds for his own benefit;<sup>4</sup> he cannot buy in trust property for himself at his own sale, or a sale procured by him, nor can he buy up any debt, charge, or encumbrance to which the trust estate is liable, at less than is actually due thereon, and then collect the full amount from the estate.<sup>5</sup> And it has been held in many cases that a trustee may not even purchase the trust property at a judicial sale, brought about by a third party, and which he had taken no part in procuring;<sup>6</sup> although upon this point there are several authorities the other way.<sup>7</sup> Contracts between a trustee and *cestui que trust*

16 How. 543; McKnight's Ex'rs v. Walsh, 23 N. J. Eq. 146; Perry on Trusts, § 470. See Whitney v. Smith, 4 Ch. App. 513; Perrin v. Lepper, 72 Mich. 454.

<sup>1</sup> Green v. Winter, 1 Johns. Ch. 36; Kepler v. Davis, 80 Pa. 157; Aberdeen Town Council v. Aberdeen University, 2 App. Cas. 549.

<sup>2</sup> *Ante*, §§ 92 *et seq.* See, also, Blauvelt v. Ackerman, 20 N. J. Eq. 141; Washington R. R. Co. v. Alexandria R. R. Co., 19 Gratt. 592; Boerum v. Schenck, 41 N. Y. 182.

<sup>3</sup> As to trustees' liability for profits, see Springer's Estate, 51 Pa. 343.

<sup>4</sup> McEachern v. Stewart, 114 N. Car. 370.

<sup>5</sup> Burgess v. Wheate, 1 Eden, 226; Sugden v. Crossland, 3 Sm. & Giff. 192; Robinson v. Pett, 3 P. Wms. 251, n. (a); Michoud v. Girod, 4 How. 503; Pooley v. Quilter, 4 Drew, 184; 2 De G. & J. 327; Schoonmaker v. Van Wyck, 31 Barb. 457; Herr's Estate, 1 Gr. Cas. 272; Parshall's Appeal, 65

Pa. 235; Baker's Appeal, 120 Id. 33; Barksdale v. Finney, 14 Gratt. 338; Green v. Winter, 1 Johns. Ch. 27; Averitt v. Elliot, 109 N. C. 560. The rule does not apply to a mortgagee with power of sale. Knox v. Armistead, 87 Ala. 511. A mortgagee exercising a power of sale is, technically, an attorney of the mortgagor. Reynolds v. Hennessy, 15 R. I. 215.

<sup>6</sup> Obert v. Obert, 1 Beas. 423; Ricketts v. Montgomery, 15 Md. 46; Jamison v. Glascock, 29 Mo. 191; Bank v. Dubuque, 8 Ia. 277; Elliott v. Pool, 3 Jon. Eq. 17; Campbell v. Johnson, 1 Sandf. Ch. 148; Chandler v. Meulton, 33 Vt. 245; Martin v. Wynkoop, 12 Ind. 266; Ogden v. Larrabee, 57 Ill. 389; King v. Remington, 36 Minn. 15; Chiles v. Gallagher, 67 Miss. 413.

<sup>7</sup> Prevost v. Gratz, 1 Pet. C. C. 364; Fisk v. Sarber, 6 W. & S. 18; Chorpenning's Appeal, 32 Pa. 312; Elrod v. Lancaster, 2 Head, 571; Mercer v. Newsom, 23 Ga. 151;

may be made, but they are scrutinized by the courts with great severity.<sup>1</sup>

#### 144. Compensation of trustees; difference between English rule and that in most of the United States.

The rule that a trustee can obtain no benefit whatever from his position, was in England carried to the extent of holding that he was not even entitled to compensation for his trouble and responsibility in the care and management of the trust estate, unless it was expressly allowed in the trust instrument,<sup>2</sup> except, perhaps, in some very extraordinary cases;<sup>3</sup> and this rule applies also to executors, guardians, receivers, directors of corporations, and in general to all fiduciaries.<sup>4</sup> But this rule has not been adopted in the United States; and trustees and other fiduciaries in this country are entitled to a reasonable compensation for their services.<sup>5</sup> The *amount* is in some states fixed by statute, and in others regulated by the court to which the trustees are liable to account.<sup>6</sup> The English rule in regard to commissions was cited with approval by Chancellor Kent, in two early cases in New York;<sup>7</sup> but the only states in which it is now followed appear to be Delaware<sup>8</sup> and Illinois.<sup>9</sup>

In England, however, trustees are allowed for their expenses reasonably and properly incurred in the execution of the trust;<sup>10</sup> and it need hardly be added that the same rule exists in the United States.<sup>11</sup> Allowances to trustees are, however, in the discretion of the court; and even the expenses of a trustee will

*Huger v. Huger*, 9 Rich. Eq. 217; *Earl v. Halsey*, 1 McCart. 332; *Hill on Trustees*, 249, 250, note (4th Am. ed.); note to *Fox v. Mackreth*, 1 Lead. Cas. Eq. 252 *et seq.* (4th Am. ed.). See *ante*, § 94. For discussion of this point see article in 31 Am. Law Reg. 743, 748.

<sup>1</sup> *Perry on Trusts*, § 428. *Post*, Part II., Chap. II., Sec. III.

<sup>2</sup> *Robinson v. Pett*, 3 P. Wms. 251; 2 Lead. Cas. Eq. 206, and notes.

<sup>3</sup> *In re Freeman's Settlement Trusts*, 37 Ch. D. 148.

<sup>4</sup> *Perry on Trusts*, § 904. Notes to *Robinson v. Pett*, *supra*.

<sup>5</sup> Notes to *Robinson v. Pett*, 2 Lead. Cas. Eq. 206; *Perry on Trusts*,

§ 916. See *Wistar's Appeal*, 54 Pa. 63; *Ward v. Funsten*, 86 Va. 359.

<sup>6</sup> See *Perry on Trusts*, § 918, notes, where the authorities and statutes are collected; *Dufford v. Smith*, 46 N. J. Eq. 216.

<sup>7</sup> *Green v. Winter*, 1 Johns. Ch. 37; *Manning v. Manning*, Id. 534.

<sup>8</sup> *Egbert v. Brooks*, 3 Harring. 112; *State v. Platt*, 4 Id. 154.

<sup>9</sup> *Constant v. Matteson*, 22 Ill. 546; *Buckingham v. Morrison*, 136 Ill. 437.

<sup>10</sup> *Perry on Trusts*, § 910; *Hill on Trustees*, 574.

<sup>11</sup> *Green v. Winter*, 1 Johns. Ch. 37; *Towle v. Mack*, 2 Vt. 19; *McElhenny's Appeal*, 46 Pa. 347; *Perrine v. Newell*, 49 N. J. Eq. 57.

not be reimbursed if they have been incurred unnecessarily, and against the remonstrances of the *cestui que trust*.<sup>1</sup> A *fortiori* will they not be allowed when the trustee has assumed a hostile attitude to the trust estate and claimed the same as his own.<sup>2</sup>

Trustees may claim indemnity from their *cestui que trust* for liabilities incurred on behalf of the trust estate. It was said in an early case that "a *cestui que trust* ought to save his trustee harmless as to all damages relating to the trust,"<sup>3</sup> and this doctrine has been recognized in modern cases. The plainest principles of justice require that where the beneficial owner is absolutely entitled to the entire estate, he should personally bear the burden incidental to such ownership; and that even where the trust property is settled on tenants for life and children the right of their trustee to be indemnified out of the whole trust estate against any liability arising out of any part of it, would seem to be clear and indisputable.<sup>4</sup>

#### 145. Trustee cannot delegate his authority.

The position of trustee is one of personal confidence, and he cannot, therefore, delegate his office even to a co-trustee.<sup>5</sup> A trustee may, however, employ a steward, agent, or attorney in cases where it is usual to do so in the ordinary course of business,<sup>6</sup> or a broker,<sup>7</sup> but he must be careful to see that the agent employed is impartial.<sup>8</sup> One of several trustees may act as agent for the others.<sup>9</sup>

<sup>1</sup> Berryhill's Appeal, 35 Pa. 245; Walker v. Walker, 9 Wall. 743.

<sup>2</sup> Fuller v. Abbe, 105 Wis. 235.

<sup>3</sup> Balsh v. Hyham, 2 P. Wms. 453.

<sup>4</sup> Hardoon v. Belilios [1901], A. C. 123; Wise v. Perpetual Trustee Co. [1903], A. C. 149.

<sup>5</sup> Hawley v. James, 5 Paige Ch. 487; Pearson v. Jamison, 1 McLean C. C. 197; Robinson v. Harkin [1896], 2 Ch. 415.

<sup>6</sup> *Ex parte* Belchier, Amb. 219; Hawley v. James, 5 Paige Ch. 487; May v. Frazer, 4 Litt. 391; Telford v. Barney, 1 Ia. 591; Blight v. Schenck, 10 Pa. 285; Lewis v. Reid, 11 Ind. 239; Mason v. Wait, 4 Scam. 127; Abbott v. Rubber Co., 33 Barb.

579; Sinclair v. Jackson, 8 Cow. 543; Webb v. Ledsam, 1 K. & J. 385; Leggett v. Hunter, 19 N. Y. 445; Bowes v. Seeger, 8 W. & S. 222. It seems to be unsettled exactly how far trustees are responsible for money collected by an attorney-at-law whom they have employed. See Perry on Trusts, § 405.

<sup>7</sup> Speight v. Gaunt, 9 App. Cas. 1, where *Ex parte* Berchier was expressly recognized. See Robinson v. Harkin [1896], 2 Ch. 420, where a trustee was held responsible for entrusting funds to an "outside" broker.

<sup>8</sup> Knox v. Mackinnon, 13 App. Cas. 767.

<sup>9</sup> *Ex parte* Rigby, 19 Ves. 463.

### 146. Responsibility for acts of co-trustee.

Questions have frequently arisen as to the responsibility of a trustee for the acts of his co-trustee, and how far he is liable for money for which he has joined in giving a receipt, but which has been actually paid into the hands of a co-trustee and lost.

The general principle which governs cases of this description seems to be, that a trustee will be required to act in regard to the trust estate with the same diligence and care which a careful man displays in the conduct of his own affairs,<sup>1</sup> to exercise good faith, and not to connive or in any way aid any bad faith on the part of a co-trustee; but he is not required actively to unite with his co-trustee in everything which is done in the administration of the trust.<sup>2</sup> The rule is, that a trustee is generally not responsible for the conduct of his co-trustee. Upon this subject the leading authorities are the cases of *Townley v. Sherborne*<sup>3</sup> and *Brice v. Stokes*.<sup>4</sup> In the first of these cases it was resolved that where lands or leases are conveyed to two or more upon trust, and one of them receives all or the most part of the profits, and afterwards dies or becomes insolvent, his co-trustee shall not be charged or be compelled to answer for the receipt of him so dying or becoming insolvent, unless some fraud or evil dealing appear to have been in them to prejudice their trust. The reason of this decision is, that trustees being by law joint-tenants, every one is equally entitled to receive the rents. In *Brice v. Stokes*<sup>5</sup> the trustee was, under the particular circumstances of the case, made responsible for money for which

<sup>1</sup> *Neff's Appeal*, 57 Pa. 91; *Jones's Appeal*, 8 W. & S. 150; *Fesmire's Estate*, 134 Pa. 85; *Davis v. Harman*, 21 Gratt. 200. See *Sutton v. Wilders*, L. R. 12 Eq. 373.

The fact that one of two trustees bestowed the same degree of care on his own interest in the trust estate and upon his own private securities as he did upon the interest of the other *cestuis que trustent* is no excuse for his dereliction of duty in not properly guarding the trust estate from a default on the part of his co-trustee; nor is the illness of such a trustee prior to the default of the co-trustee an excuse, where the trustee had knowledge of actions on the part of his

co-trustee before his illness, which should have put him on guard against a possible misappropriation of the trust funds. *Adams's Estate*, 221 Pa. 77.

<sup>2</sup> *Ochiltree v. Wright*, 1 Dev. & Bat. Eq. 336; *Ray v. Doughty*, 4 Blackf. 115.

<sup>3</sup> *Bridg.* 35; 2 Lead. Cas. Eq. 858 (4th Eng. ed.).

<sup>4</sup> 11 Ves. 319; 2 Lead. Cas. Eq. 865.

<sup>5</sup> See 2 Lead. Cas. Eq. 865, and notes; *Bowes v. Seeger*, 8 W. & S. 222; *Sinclair v. Jackson*, 8 Cow. 543; *Peter v. Beverly*, 10 Pet. 562; 1 How. 134; *Taylor v. Benham*, 5 How. 233; *Perry on Trusts*, § 417.

he had joined in a receipt, although the amount had not been actually received by him; but the general rule (which has since been acted upon) was laid down by Lord Eldon to be, that at law, where trustees join in a receipt, *prima facie* all are to be considered as having received the money; but that it is competent to a trustee, and, if he means to exonerate himself from that inference, it is necessary for him to show that the money acknowledged to have been received by all was in fact received by one, and the others joined only for conformity.<sup>1</sup>

But while it is true, as a general rule, that a trustee shall not be liable for the acts or defaults of his co-trustee, yet any fraud, or improper dealing, or gross negligence on the part of a trustee (as, for example, if he were to stand by and see a breach of trust committed by his co-trustee), will render him responsible.<sup>2</sup> As soon as a trustee is fixed with knowledge that a co-trustee is misapplying the money, a duty is imposed upon him to bring it back into the joint custody of those who ought to take better care of it.<sup>3</sup> And although a trustee (according to the rule laid down by Lord Eldon in *Brice v. Stokes*) may not be liable by joining in a receipt, yet, if (as in that case) the transaction is unnecessary, and he permits his co-trustee to keep and deal with the trust moneys contrary to the trust, he will be charged with any loss which may have occurred.<sup>4</sup>

Where two or more trustees have accepted the trust, no one

<sup>1</sup> See *Kip v. Deniston*, 4 Johns. R. 23. Trustees are regarded in equity as one collective trustee (so to speak), and all must enter into the act to be done. In that respect they differ from executors. See *Fesmire v. Shannon*, 143 Pa. 209, for an explanation of this distinction.

<sup>2</sup> See *Mucklow v. Fuller*, Jac. Ch. 98; *Booth v. Booth*, 1 Beav. 125; *Styles v. Guy*, 1 MacN. & G. 422; *Taylor v. Roberts*, 3 Ala. 86; *Worth v. McAden*, 1 Dev. & Bat. Eq. 199; *Latrobe v. Tiernan*, 2 Md. Ch. 474; *Monell v. Monell*, 5 Johns. Ch. 283; *Irwin's Appeal*, 35 Pa. 294; *Ducommun's Appeal*, 17 Id. 268; *Clark v. Clark*, 8 Paige Ch. 153; *Mary Evans's Estate*, 2 Ashm. 470.

Where a will appoints two trustees,

and directs that the estate shall be invested in a particular manner, and one of the trustees takes the estate and embezzles it, the other trustee will be liable for the loss, if it appears that he made no effort to invest the estate in the manner directed by the will, and merely relied upon the statement of the other trustee that it had been so invested. *Beatty's Est.*, 214 Pa. 449.

<sup>3</sup> 1 Sug. V. & P. 93 (8th Am. ed.); *Wayman v. Jones*, 4 Md. Ch. 506.

<sup>4</sup> *Thompson v. Finch*, 22 Beav. 316; 8 De G., M. & G. 560; *Mendes v. Guedalla*, 2 J. & H. 259; *Clark v. Clark*, 8 Paige Ch. 152; *Wayman v. Jones*, 4 Md. Ch. 500; *Barroll v. Forman*, 88 Md. 188; *Elmendorf v. Lansing*, 4 Johns. Ch. 562; *Ringgold v.*

of them can escape responsibility by leaving the discharge of the duties of the trust to his associate or associates. Each one must be vigilant; and no one can excuse himself from responsibility for loss simply on the ground that he left the custody of securities or the collection of assets altogether in charge of his colleagues in the trust.<sup>1</sup>

When a number of trustees are appointed they constitute, so to speak, but one trustee; and hence, in any business of the trust, they must all concur;<sup>2</sup> but this rule does not apply to the case of public trusts, in which the acts of a majority are binding.<sup>3</sup>

#### 147. Remedies for breach of trust.

When a breach of trust has been committed, the remedy of the injured party is twofold, *first*, by holding the trustees or (in the case of death) their representatives responsible; and, *secondly*, by removal of the trustees.

Trustees who have committed a breach of trust, or their representatives, cannot set up the statute of limitations;<sup>4</sup> but the remedy of the *cestuis que trustent* may be barred by concurrence, acquiescence, or executing a release, providing they are not under any disability, such as infancy, coverture, or the like.<sup>5</sup>

Upon proper cause shown, a court of equity will remove a trustee.<sup>6</sup> The court, moreover, has power to fill a vacancy in

Ringgold, 1 H. & Gill, 11; Jones's Appeal, 8 W. & S. 147; Edmonds v. Crenshaw, 14 Pet. 166.

<sup>1</sup> Stong's Estate, 160 Pa. 13; Irvine's Estate, 203 Id. 606. See, in this connection, Dyer v. Riley, 51 N. J. Eq. 124, where the trustee was held not answerable for a loss.

<sup>2</sup> Perry on Trusts, § 411.

<sup>3</sup> Id. § 413.

<sup>4</sup> They can set up the negligence of the *cestui que trust* in asserting his rights. Bright v. Legerton, 2 De G., F. & J. 606. See, also, Hunter v. Hubbard, 26 Tex. 537; New Market v. Smart, 45 N. H. 87; Smith v. Drake, 23 N. J. Eq. 305. On this subject see Sullivan v. Latimer, 35 S. C. 422; McCartin v. Traphagen, 43 N. J. Eq. 323.

<sup>5</sup> 2 Lead. Cas. Eq. 916, 919 (4th Eng. ed.). This disability of cover-

ture does not protect the separate estate of a married woman. Clive v. Carew, 1 Johns. & H. 199.

<sup>6</sup> Perry on Trusts; Hill on Trustees, 298 (4th Am. ed.); May v. May, 167 U. S. 310; Allen v. Allen, 84 Ala. 367; Wilson v. Wilson, 145 Mass. 490; Waterman v. Alden, 144 Ill. 91; Polk v. Linthicum, 100 Md. 615; Barker v. Barker, 73 N. H. 353. If trustees have acted honestly and in good faith they are not necessarily to be removed because the trust funds have sustained losses through their investment and because the lack of method of keeping their accounts was decidedly unbusinesslike and exceedingly careless. The question is one addressed to the discretion of the court. Murdoch v. Elliot, 77 Conn. 247



a trust, whether occasioned by removal, or non-acceptance of the trust, or death, or resignation. The jurisdiction to appoint a trustee to fill a vacancy, however occasioned, is exercised under the inherent jurisdiction of the court, by bill;<sup>1</sup> but both in England and in the United States, statutes have been passed authorizing courts of equity to give summary relief in such cases on petition. It is scarcely necessary to observe that the court, in filling the vacancy, cannot vary the terms of the trust.<sup>2</sup>

A trustee is entitled to come into equity for the purpose of obtaining the advice and assistance of the court in the execution of his trust;<sup>3</sup> and the advisability of a trustee thus seeking the guidance of the court may be illustrated by the case of *In re Brogden*.<sup>4</sup> There, the settlor in a marriage settlement covenanted to pay ten thousand pounds to the trustees of the settlement within five years after his decease. The settlor died, being then a member of a firm composed of himself and his sons. The five years expired in 1874. The trustees forebore to press for payment. In 1880 the firm (which had been continued after the testator's death) became insolvent, and the ten thousand pounds could not then be collected from it. In a proceeding against the trustees under the settlement to hold them personally responsible, North, J., said: "If he (the only solvent trustee, the others being the brothers of the *cestui que trust* and members of the insolvent firm) had applied for the sanction of the court to the course he contemplated, the court would have authorized him to sue or to abstain from suing, as the case may be, and in either case he would have been perfectly safe whatever the results might have been."

<sup>1</sup> *Griswold v. Sackett*, 21 R. I. 206.

<sup>2</sup> *Society of the Cincinnati's Appeal*, 154 Pa. 621.

<sup>3</sup> *Hill on Trustees*, 543. See the language of North, J., in *re Brogden*, 38 Ch. D. 556. See, also, *Dill v. Wisner*, 88 N. Y. 160; *Parsons v. Millar*, 189 Ill. 107. The right of the trustee to the advice of the court is said in that case to be the foundation of what is sometimes termed the jurisdiction of the court to interpret wills. This so-called jurisdiction to interpret wills, however, is not an inde-

pendent division of equitable jurisdiction. It grows out of several of the heads which are noticed in this book, such as Trusts, Injunctions, Election, Fraud, Creditors' Bills and others.

In this connection it may be observed that a trustee has no right to invoke the jurisdiction of the court merely for the purpose of passing upon a legal title. *Knevals v. Florida Cent. & Pen. R. R. Co.*, 23 U. S. App. 549.

<sup>4</sup> 38 Ch. D. 546.

**148. Trustees' Accounts.**

A trustee may have his accounts investigated by the court; and, on the other hand, he is bound to render proper accounts when summoned to do so.<sup>1</sup> And a trustee who has committed a breach of trust is liable to account to the *cestui que trust* for the amount of the trust funds which have been misapplied, with interest; or for the profits which he has made. In other words, it is a cardinal principle in the management of a trust, that the trustees may lose, but cannot gain.

<sup>1</sup> *Pearse v. Green*, 1 J. & W. 135; *dered by a trustee, see Ahl's Appeal*,  
*Freeman v. Fairlie*, 3 Meriv. 24, 42. 129 Pa. 43.  
As to the effect of an account ren-

## CHAPTER VII.

## MORTGAGES.

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|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 149. The law of Mortgages no longer peculiar to Equity.<br>150. Nature of a Mortgage; origin of Equity of Redemption.<br>151. Nature of the Equity of Redemption; limitations.<br>152. Nature of Mortgagor's title in England; in the United States.<br>153. Once a mortgage, always a mortgage.<br>154. Distinction between mortgages and conditional sales. | 155. Absolute deed may be shown to be a mortgage.<br>156. Foreclosure suits.<br>157. Rights and duties of mortgagor and mortgagee.<br>158. Tacking.<br>159. Mortgages to secure future advances.<br>160. Merger; sometimes prevented in Equity.<br>161. Equitable mortgages to be considered under Liens. |
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**149. The law of Mortgages no longer peculiar to Equity.**

THE title which the Court of Chancery called into being for the purpose of preserving the rights of a *cestui que trust* as against a trustee has been considered, and its origin, its mode of creation, its incidents, and the duties to which it gives rise have been discussed. The next *title*, originally recognized solely in courts of equity, which requires notice, is that which grows out of the relation of mortgagor and mortgagee; and it will be desirable to consider in this connection, not only the equitable title itself, but also a few of those rights and duties which are connected with this relation. This consideration, however, must necessarily be brief, for to enter at large into a discussion of all the points which arise out of the interesting subject of mortgages, would be to go somewhat outside of the present jurisdiction of courts of equity.

The subject of mortgages, indeed, is one which, in modern times, might justly fall within the scope of a treatise on common law, rather than of one which professes to deal with the extraordinary jurisdiction of the High Court of Chancery; because the rights of the mortgagor are now so thoroughly recognized in courts of law, that their former precarious condition

has become a matter of history rather than one of practical importance. But this condition of things serves only to justify the remark made by Chancellor Kent, that "the case of mortgages is one of the most splendid instances in the history of our jurisprudence of the triumph of equitable principles over technical rules, and of the homage which these principles have received by their adoption in courts of law."<sup>1</sup>

Besides, while in many states of the Union the peculiarity of the relation of mortgagor and mortgagee has disappeared under the levelling influence of legislative enactments, in others it still remains, while in all of the United States a knowledge of the history of mortgages is necessary to a philosophical understanding of the rules by which they are governed.

#### 150. Nature of a Mortgage ; origin of Equity of Redemption.

The jurisdiction of equity upon the subject of mortgages arose principally from two sources:

First, the harshness with which the common law treated the mortgagor; and second, the inadequate relief which that system of jurisprudence afforded to the mortgagee.

As is well known, a mortgage was a conveyance of land sometimes in fee, and sometimes for a less estate, with a stipulation called a clause of defeasance,<sup>2</sup> by which it was provided that in case a certain sum of money were paid by the feoffor to the feoffee, on a day named, the conveyance should be void, and either the estate should, by virtue of the defeasance, revert in the feoffor, or he should be entitled to call upon the feoffee for a reconveyance of the same. The person who borrowed the money and conveyed the estate was called the mortgagor, and the other party to the contract and conveyance was the mortgagee. The term *mortgage* is derived from the *mortuum vadum*, or dead pledge of the civil law; because after the forfeiture was completed by the non-payment of the money, the estate was then *dead* to the mortgagor. Mortgages are classed by Littleton among estates upon condition. The fee vested in the mortgagee from the date of the conveyance, subject to the condition of being defeated by the performance of the stipulation on the

<sup>1</sup> 4 Kent's Com. 158. See, also, the language of Mulkey, J., in *Barrett v. Hinckley*, 124 Ill. 32.

<sup>2</sup> The defeasance may be in a separate instrument. 4 Kent's Com. 41.

part of the mortgagor. On the other hand, if the condition was broken, in other words, if the money was not paid, the estate in the mortgagee then became absolute, and the mortgagor lost his property altogether.<sup>1</sup>

As the value of the estate conveyed was very frequently, if not always, greater than the debt which the conveyance was intended to secure, the strict common-law construction of conditions broken, and the enforcement of forfeitures thereupon, necessarily occasioned much hardship. If the mortgagor was not prepared on the day to pay the amount due, the estate became absolute in the mortgagee, and no subsequent tender or payment could operate to revest the title in the mortgagor, or entitle him to any relief in a court of law. On one side of Westminster Hall he was entirely without remedy.<sup>2</sup> On the other side, however, the Court of Chancery interfered for his relief. It was considered in equity that as the mortgage was, in point of fact, only a pledge for a debt,<sup>3</sup> the payment of the debt, together with a penalty for the delay, in other words, interest, ought to entitle the debtor to have his property back again; that is to say, equity recognized the mortgagor's right to redeem. Hence arose that privilege on the part of the mortgagor, which has been so long inseparably connected with mortgages, and which is known as the equity of redemption. It was a right not recognized at common law, but only in chancery, and hence was called an "equity;" it was a right to buy back the land pledged, and hence was termed "redemption."

This right of the mortgagor was recognized as early as the reign of Queen Elizabeth.<sup>4</sup>

### 151. Nature of the Equity of Redemption ; limitations.

In *Roscarrick v. Barton* <sup>5</sup> it was said that the equity of redemption was a mere *right*, as distinguished from an *estate*; but in the leading case of *Casborne v. Scarfe*,<sup>6</sup> Lord Hardwicke decided that it was an *estate*, "for," said he, "it may be devised,

<sup>1</sup> Co. Litt. 332.

<sup>2</sup> See remarks of Depue, J., in *Shields v. Losear*, 34 N. J. Law, 496, cited in *Jones on Mortgages*, § 9.

<sup>3</sup> "In equity we look upon a mortgage as only a security for the debt." *Van Gelder & Co. v. Society*, 44 Ch. D. 389.

<sup>4</sup> *Langford v. Barnard, Tothill*, 134.

See, also, *Emmanuel Coll. v. Evans*, 1 Ch. Rep. 18.

<sup>5</sup> 1 Ch. Cas. 217.

<sup>6</sup> Atk. 603; 2 Lead. Cas. Eq. 1035 (4th Eng. ed.).

granted, or entailed with remainders, and such entail and remainders may be barred by fine and recovery, and therefore cannot be considered as a mere right only, but such an estate whereof there may be a seizin." This view of the equity of redemption has been particularly observed in the United States, where a mortgage is looked upon as a mere security for the debt, and the title is considered, for most purposes, as remaining in the mortgagor.<sup>1</sup> In some states, indeed, the mortgage passes no legal title whatever to the mortgagee until foreclosure takes place;<sup>2</sup> while in others the common-law doctrine that the legal title passes to the mortgagee is adhered to, subject (as already stated) to the equitable doctrine that this passage of the legal title is merely by way of security for the debt, and that for all other purposes the mortgagor is regarded as the owner.<sup>3</sup> In some states the subject is regulated by statute.<sup>4</sup>

<sup>1</sup> *Timms v. Shannon*, 19 Md. 296; *Glass v. Ellison*, 9 N. H. 69; *Catlin v. Henton*, 9 Wis. 476; 4 Kent's Com. 160; 2 Wash. on Real Prop. 151; *Jones on Mortgages*, §§ 11 *et seq.*

<sup>2</sup> *Witherell v. Wiberg*, 4 Sawyer, 235; *McMillan v. Richards*, 9 Cal. 409; *Fogarty v. Sawyer*, 17 Id. 592; *Mack v. Wetslar*, 39 Id. 247; *Harp v. Calahan*, 46 Id. 222; *Drake v. Root*, 2 Colo. 685; *Hall v. Tunnell*, 1 Houst. 320; *Cooch v. Gerry*, 3 Har. 280; *Newbold v. Newbold*, 1 Del. Ch. 310; *Vason v. Ball*, 55 Ga. 268; *Burnside v. Terry*, 45 Id. 621; *Jackson v. Carswell*, 34 Id. 279; *Fletcher v. Holmes*, 32 Ind. 497; *Francis v. Porter*, 7 Id. 213; *Chick v. Willetts*, 2 Kans. 384; *Caruthers v. Humphrey*, 12 Mich. 270; *Gorham v. Arnold*, 22 Id. 247; *Hyman v. Kelly*, 1 Nev. 179; *Whitmore v. Shiverick*, 3 Id. 288; *Waters v. Stewart*, 1 Caines Cas. 47; *Jackson v. Willard*, 4 Johns. R. 42; *Runyan v. Mersereau*, 11 Id. 534; *Packer v. Rochester, etc., R. R. Co.*, 17 N. Y. 283; *Trimm v. Marsh*, 54 Id. 603; *Barry v. Hamburg-Bremen Fire Ins.*

*Co.*, 110 N. Y. 1; *Wright v. Henderson*, 12 Tex. 43; *Walker v. Johnson*, 37 Id. 127; *Mann v. Falcon*, 25 Id. 271; *Wood v. Trask*, 7 Wis. 566; *Balduff v. Griswold*, 9 Okla. 438.

<sup>3</sup> *Duval v. McLoskey*, 1 Ala. 706; *Knox v. Easton*, 38 Id. 345; *Kennedy v. McCarron*, 18 Ark. 166; *Chamberlain v. Thompson*, 10 Conn. 251; *Town of Clinton v. Town of Westbrook*, 38 Id. 9; *Carroll v. Ballance*, 26 Ill. 9; *Jackson v. Warren*, 32 Id. 331; *Pollock v. Maison*, 41 Id. 516; *Harper v. Ely*, 70 Id. 581; *Ware v. Shentz*, 190 Ill. 189, 193; *Bradley v. Lightcap*, 195 U. S. 17; *Stewart v. Barrow*, 7 Bush, 368; *Blaney v. Bearce*, 2 Me. 132; *Brown v. Stewart*, 1 Md. Ch. 87; *Sumwalt v. Tucker*, 34 Md. 89; *Annapolis, etc., R. R. Co. v. Gantt*, 39 Id. 115; *Ewer v. Hobbs*, 5 Met. 1; *Howard v. Robinson*, 5 Cush. 119; *Brown v. Cram*, 1 N. H. 169; *Shields v. Losear*, 34 N. J. Law, 496; *Hemphill v. Roes*, 66 N. C. 477; *State v. Ragland*, 75 Id. 12; *Harkrader v. Leiby*, 4 Ohio St. 602; *Allen v. Everly*, 24 Id. 97, 114; *Simpson's*

<sup>4</sup> See *Jones on Mortgages*, §§ 172 *et seq.*

This equity of redemption was, however, limited in point of time. It would have been obviously unjust to allow a mortgagor, or persons claiming under him, an unlimited option to redeem, no matter how many years might have elapsed since the date of forfeiture. The statute of limitations, as to real estate,<sup>1</sup> furnished a convenient standard by which the duration of this right was to be measured; and it was held that after twenty years from the time of forfeiture the mortgagor's right to redeem was forever gone.<sup>2</sup>

By analogy to the exceptions in the statute, ten years additional were allowed after the removal of the impediments of infancy, coverture, imprisonment, or absence beyond the seas.<sup>3</sup>

This equity of redemption existed not only in favor of the mortgagor, but also of other parties claiming under him. Thus the heir, the devisee, or the alienee (even though a volunteer) of the mortgagor,<sup>4</sup> may redeem.<sup>5</sup> So, also, may a subsequent

*Lessee v. Ammons*, 1 Binney, 176; *Britton's Appeal*, 45 Pa. 172; *Tryon v. Munson*, 77 Id. 250; *Youngman v. Elmira*, etc., R. R. Co., 65 Id. 278; *Waterman v. Matteson*, 4 R. I. 538; *Henshaw v. Wells*, 9 Humph. 568; *Vance v. Johnson*, 10 Id. 214; *Hagar v. Brainerd*, 44 Vt. 294; *Sexton v. Breese*, 135 N. Y. 387; *Western Union Tel. Co. v. Ann Arbor R. R. Co.*, 33 C. C. A. 113; *Hall v. Tunnell*, 1 Houst. 320; *Cooch v. Gerry*, 3 Har. 280; *Newbold v. Newbold*, 1 Del. Ch. 310; *Hill v. Robertson*, 24 Miss. 368; *Buckley v. Daley*, 45 Id. 338; *Buck v. Payne*, 52 Id. 271; *Johnson v. Houston*, 47 Mo. 227; *Woods v. Hilderbrand*, 46 Id. 284; *Pease v. Pilot Knob Iron Co.*, 49 Id. 124.

<sup>1</sup> 21 Jas. 1, c. 16.

<sup>2</sup> *Anon.*, 3 Atk. 313; *Philips v. Sinclair*, 20 Me. 269; *Demarest v. Wynkoop*, 3 Johns. Ch. 129; *Gates v. Jacob*, 1 B. Mon. 308; *Ayres v. Waite*, 10 Cush. 72; *Shew v. Bank of Pittsburgh*, 16 How. 571; *Bates v. Conrow*, 11 N. J. Eq. 137; *Cook v. Finkler*,

9 Mich. 131; *Gunn v. Brantley*, 21 Ala. 633; *Hallesy v. Jackson*, 66 Ill. 139; *McNair v. Lot*, 34 Mo. 285; *Montgomery v. Chadwick*, 7 Ia. 114; *Crawford v. Taylor*, 42 Id. 260; *Rogan v. Walker*, 1 Wis. 527; *Knowlton v. Walker*, 13 Id. 264; *Bailey v. Carter*, 7 Ired. Eq. 282; *Randall v. Bradley*, 65 Me. 43; *Hoffman v. Harrington*, 33 Mich. 392; *Hall v. Denckla*, 28 Ark. 506; 2 Sug. V. & P. 109 (8th Am. ed.).

<sup>3</sup> 1 Lead. Cas. Eq. 1065 (4th Eng. ed.); *Jones on Mortgages*, § 1114.

<sup>4</sup> Or an alienee whose interest extends only to *part* of the equity of redemption which originally resided in the mortgagor. *Rothschild v. Bay City Lumber Co.*, 139 Ala. 571.

<sup>5</sup> *Pym v. Bowreman*, 3 Swanst. 241, n.; *Lloyd v. Wait*, 1 Ph. 61; *Lewis v. Nangle*, 2 Ves. Sr. 431; *Rand v. Cartwright*, 1 Ch. Ca. 59. See *Beach v. Shaw*, 57 Ill. 17; *Smith v. Manning's Ex'r*, 9 Mass. 422; *Beach v. Cooke*, 28 N. Y. 508.

mortgagee,<sup>1</sup> a judgment-creditor,<sup>2</sup> or the crown, or the lord of the fee, on forfeiture.<sup>3</sup> A tenant for life or for years,<sup>4</sup> a remainderman, a reversioner, a tenant by the curtesy or by devise, and a jointress may all redeem;<sup>5</sup> and, in general, it may be said that this right exists in favor of any one who has an interest in the land, and would be a loser by foreclosure.<sup>6</sup> But where a party is not affected by the mortgage, there is no occasion for redeeming, and he is not allowed to do so.<sup>7</sup>

And this right may, of course, be exercised not only against the mortgagee, but against any person claiming under him.

### 152. Nature of Mortgagor's title in England; in the United States.

The nature of the mortgagor's title has been the subject of some discussion both in England and in the United States. In the case of a mortgage there was an equitable title given by the Court of Chancery distinct from the co-existing legal title; and in this respect, therefore, the relation of mortgagor and mortgagee resembled that of trustee and *cestui que trust*; but while the two relations had this characteristic in common, they were by no means identical.<sup>8</sup> It has been truly said that the relation

<sup>1</sup> *Fell v. Brown*, 2 Bro. C. C. 276; *Bigelow v. Willson*, 1 Pick. 493; *Haines v. Beach*, 3 Johns. Ch. 461; *Scott v. Henry*, 13 Ark. 112; *Kimmell v. Willard*, 1 Doug. (Mich.) 217; *Hill v. White*, Saxt. 435; *Wiley v. Ewing*, 47 Ala. 418; *Beach v. Shaw*, 57 Ill. 17; *Hogden v. Guttery*, 58 Id. 431; *Manning v. Markel*, 19 Ia. 103.

<sup>2</sup> *Stonehewer v. Thompson*, 2 Atk. 440; *Mildred v. Austin*, L. R. 8 Eq. 220; *Hitt v. Holliday*, 2 Litt. 332; *Dabney v. Green*, 4 Hen. & Munf. 101; *Niagara Bank v. Rosevelt*, 9 Cow. 409.

<sup>3</sup> *Att.-Gen. v. Crofts*, 4 Bro. P. C. 136; *Downe v. Morris*, 3 Hare, 394.

<sup>4</sup> *Tarn v. Turner*, 39 Ch. D. 456.

<sup>5</sup> *Ravald v. Russell*, 1 You. 9; *Rafety v. King*, 1 Keen, 618; *Aynsly v. Reed*, 1 Dick. 249; *Palmer v. Danby*, Prec. Ch. 137; *Jones v. Meredith*, Bunb. 347; *Howard v. Harris*, 1 Vern. 33; *Lamson v. Drake*, 105 Mass. 504;

*Opdyke v. Bartles*, 11 N. J. Eq. 133; *McArthur v. Franklin*, 16 Ohio. St. 193; *Denton v. Nanny*, 8 Barb. 618; *Henry's Case*, 4 Cush. 257; *Davis v. Wetherill*, 13 Allen, 60.

<sup>6</sup> *Pearoe v. Morris*, L. R. 5 Ch. 229; *Tarn v. Turner*, 39 Ch. D. 456-462; *Bogut v. Coburn*, 27 Barb. 330; *Scott v. Henry*, 13 Ark. 112; *Platt v. Square*, 12 Met. 494; *Farnum v. Metcalf*, 8 Cush. 46.

<sup>7</sup> *Moore v. Beason*, 44 N. H. 215; *Brewer v. Hyndman*, 18 Id. 9; *Smith v. Austin*, 9 Mich. 465; *Boarman v. Catlett*, 21 Miss. 149; *Purvis v. Brown*, 4 Ired. Eq. 413. See further upon the subject, *Venderhaise v. Hugues*, 2 Beas. 410; *Ballard v. Jones*, 6 Humph. 455; *Meehan v. Forrester*, 52 N. Y. 277; *Whittick v. Kane*, 1 Paige Ch. 202; *Dunlap v. Wilson*, 32 Ill. 517; *Rogers v. Meyers*, 68 Id. 92.

<sup>8</sup> 1 Spence Eq. 432.



of mortgagor and mortgagee is one which is perfectly anomalous and *sui generis*;<sup>1</sup> and that while the relations of vendor and purchaser, of principal and bailiff, of landlord and tenant, of debtor and creditor, and of trustee and *cestui que trust*, have been used to describe the relation of mortgagor and mortgagee, yet by the names of mortgagor and mortgagee alone can that relation be properly characterized.

It had been decided in England that the equity of redemption of an estate in fee-simple, prior to the statute of 3 & 4 Will. IV., c. 104, was an equitable and not a legal asset;<sup>2</sup> but this did not necessarily determine the equitable nature of the estate itself; for it was pointed out by Vice-Chancellor Kindersley, in *Cook v. Gregson*,<sup>3</sup> that the term equitable assets referred not to the nature of the property in the hands of the executor, but to the remedy by which the assets could be reached by the creditors of the decedent. And it was decided, in that case,<sup>4</sup> that the equity of redemption of a sum of money charged on land was legal assets in the hands of the executor—for he could recover it merely *virtute officii* as executor, which was said to be the test.

But that the estate of the mortgagor is to be regarded in England as an equitable and not a legal title, is evident from the circumstance that a second mortgage of the same estate is always considered as the transfer of an equitable and not of a legal title, and therefore is to be subject to the rules by which the assignments of equitable interests are governed.<sup>5</sup>

In the United States, however, the nature of the mortgagor's interest is of a legal rather than an equitable character, at all events so far as regards third persons. The mortgagor may bring an action at law to recover the land; his estate is liable to dower, and may be taken in execution for his debts.<sup>6</sup>

<sup>1</sup> *Cholmondeley v. Clinton*, 2 Jac. & W. 182, 183.

<sup>2</sup> It is now made a legal asset by that statute.

<sup>3</sup> 3 Drewry, 547.

<sup>4</sup> 3 Drewry, 547.

<sup>5</sup> See *post*, chap. VIII., Assignments. Notes to *Thornbrough v. Baker*, 2 Lead. Cas. Eq. \*1030 (4th Eng. ed.); and to *Marsh v. Lee*, 1 Id. 611.

<sup>6</sup> American note to *Thornbrough v.*

*Baker*, 2 Lead. Cas. Eq. 2007, 2008; *Brobst v. Brock*, 10 Wall. 529; *Hutchins v. King*, 1 Id. 58; *Wilkins v. French*, 20 Me. 111; *Jackson v. Willard*, 4 Johns. R. 41; *Hitchcock v. Harrington*, 6 Id. 295; *Ellison v. Daniels*, 11 N. H. 274; *Norwich v. Hubbard*, 22 Conn. 587; *Carpenter v. Bowen*, 42 Miss. 28; *Woods v. Hilderbrand*, 46 Mo. 284; *Hale v. Horne*, 21 Gratt. 321; *Williams v. Beard*, 1 S. C. (N. S.) 324; *Heath v. Haile*, 45

But as between the mortgagor and mortgagee the legal title passes by the mortgage, and the mortgagee has a right to recover in ejectment.<sup>1</sup> This is the English rule, and the same doctrine has been adopted in many of the United States. In others, however, the mortgage is considered as creating a lien merely, and giving no title upon which an ejectment can be sustained.<sup>2</sup>

Both in England and in this country the interest of the mortgagee is considered as personal property, and goes to the executor and not to the heir.<sup>3</sup>

### 153. Once a mortgage, always a mortgage.

The equity of redemption would have rested upon a very slender and precarious foundation, if it could have been waived, surrendered, or bargained away by the mortgagor at the time of the creation of the mortgage; because the same necessity which drove him into the position of borrower, would also have inevitably compelled him to submit to any terms or stipulations, however harsh, which the lender of the money chose to insist upon. The right to redeem would therefore have been given up, in favor of the mortgagee, and thus have been rendered of little practical value, if equity had not again interfered for the protection of the

S. Car. 642; *Jackson v. Lodge*, 36 Cal. 28; *Buckley v. Daley*, 45 Miss. 338; *White v. Rittenmyer*, 30 Ia. 268; *Gorham v. Arnold*, 22 Mich. 250; 2 Wash. on Real Prop. 155; *Stewart v. Scott*, 54 Ark. 187.

<sup>1</sup> Unless it appears by a stipulation in the mortgage or otherwise that it is the intention of the parties that the mortgagor should remain in possession. *Youngman v. Elmira Railroad Co.*, 65 Pa. 285; *Soper v. Guernsey*, 71 Id. 224; *Wales v. Mellen*, 1 Gray, 512; *Norton v. Webb*, 36 Me. 270; *Brown v. Leach*, Id. 39; *Bank v. Wallace*, 87 Me. 28. As to the rights of the assignee of a mortgage, see *Cottrell v. Adams*, 2 Bissell, 350; *Kibbe v. Dunn*, 5 Id. 233.

<sup>2</sup> 2 Wash. on Real Prop. 100. See, also, *Hogsett v. Ellis*, 17 Mich. 351; *Mann v. Falcon*, 25 Tex. 271; *Fox v. Wharton*, 5 Del. Ch. 200; *Jones v.*

*Jenkins*, 83 Ky. 391; *Jordan v. Sayre*, 29 Fla. 100; *Cullen v. Minn. Loan & Trust Co.*, 60 Minn. 6; *Marx v. La Rocque*, 27 Oreg. 45; *Barber v. Crowell*, 55 Neb. 571; *Morrill v. Skinner*, 57 Id. 164; *McClory v. Ricks*, 11 N. Dak. 38; *Gillett v. Romig*, 17 Okla. 324; *Gerhardt v. Ellis*, 134 Wis. 191.

<sup>3</sup> *Trimm v. Marsh*, 54 N. Y. 623; *Thornbrough v. Baker*, 1 Ch. Ca. 283; 2 Lead. Cas. Eq. 1053. A conveyance of the mortgaged premises by the mortgagee, without assigning the debt, passes no estate. *Johnson v. Cornett*, 29 Ind. 59; *Hubbard v. Harrison*, 38 Id. 341; 4 Kent's Com. 194. The interest of the mortgagee is a *chose in action* within the meaning of the Judiciary Act. *Hill v. Winne*, 1 Bissell, 277; *Sheldon v. Sill*, 8 How. 441; *Smith v. Kernochen*, 7 Id. 198.

debtor. It was, consequently, at an early date determined, and it is a settled and fundamental doctrine in the law of mortgages, that the mortgagor cannot by any stipulation or agreement made in the mortgage instrument, or at the date of its execution, waive or surrender his right to redeem within the twenty years.<sup>1</sup> No matter how rigidly he may attempt to bind himself, and no matter how stringent may be the contract by which the equity of redemption is to be given up, and the estate is to become absolutely the property of the mortgagee in the event of a forfeiture, a Court of Chancery will utterly disregard any such agreement, and will hold the mortgagor still capable of exercising this inalienable right of redeeming his property upon payment of the principal and interest of the mortgage-debt.

So deeply rooted is this doctrine, that it has taken the shape of a maxim; and the immutable character of the mortgagor's right is expressed in the emphatic phrase, "once a mortgage, always a mortgage."<sup>2</sup> A man may, of course, sell his equity of redemption

<sup>1</sup> *Howard v. Harris*, 1 Vern. 190 (2 Lead. Cas. Eq. 860), decided in 1683. See, also, *East India Co. v. Atkyns*, Com. Rep. 349; *Jason v. Eyres*, 2 Ch. Ca. 33; *Spurgeon v. Collier*, 1 Eden, 55; *Goodman v. Gierson*, 2 Ball & B. 278; *Cowdry v. Day*, 1 Giff. 315; *Mooney v. Byrne*, 163 N. Y. 86.

<sup>2</sup> See *Newcomb v. Bonham*, 1 Vern. 7; *Price v. Perrie*, 2 Freem. 258; *Willet v. Winnell*, 1 Vern. 488; *Bowen v. Edwards*, 1 Rep. in Ch. 522; *Marquess of Northampton v. Pollock*, 45 Ch. D. 215; *Salt v. Marquis of Northampton* [1892], App. Cas. 1; *Rice v. Noakes & Co.* [1900], 1 Ch. 213; on appeal [1900], 2 Ch. 445; in the House of Lords [1902], A. C. 24; *Mooney v. Byrne*, 163 N. Y. 86; *Jarrah Timber & Wood Paving Corp. v. Samuel* [1902], 2 Ch. 479; *affd.* [1904] A. C. 323.

When a mortgagor conveys the mortgaged property to the mortgagee by a deed absolute in form, the right of redemption will not be extinguished unless it appear that no

advantage was taken of the necessities of the mortgagor and that the absolute conveyance was his voluntary act.

If a mortgagee agrees, in consideration of his mortgagor's conveying the property to him by a deed absolute in form, that the latter may buy it within a certain time at a designated price, such agreement has the same effect as if the mortgagee had agreed that the mortgagor might redeem the property on the terms mentioned.

After the maturity of a mortgage debt the mortgagor conveyed the land mortgaged to the mortgagee by an absolute deed and the mortgagee then signed a paper agreeing to rent the land to the mortgagor's son and giving an option to buy the land within one year at a fixed price. Afterwards the parties made another agreement as to the rent, and the mortgagee-grantee agreed that "if he wants to sell said farm" he would give the mortgagor the refusal to buy it at the same fixed price. Upon

the day after the mortgage is created, if he chooses so to do;<sup>1</sup> but he cannot, by any form of language, part with it in favor of the mortgagee at the instant of the creation of the mortgage;<sup>2</sup> nor can he convey it to the mortgagee without consideration.<sup>3</sup> Where there is no consideration for such conveyance "the transfer is of no effect, and the equity remains in the mortgagor."<sup>4</sup>

The propositions stated in the preceding sentence were considered, in England, in *Lisle v. Reeve*, decided by the Court of Appeal in 1901.<sup>5</sup> In that case it appeared that subsequent to the date of the mortgage, an agreement was entered into between

a bill by the mortgagor to enforce a reconveyance of the property, upon the payment of the amount due under the mortgage, held, upon the facts of the case that the mortgagor is entitled to redeem the property and that the agreements made at the time of the conveyance preserved this right; and the evidence is examined to ascertain the exact amount due to the mortgagee. *Day v. Davis*, 101 Maryland, 259.

<sup>1</sup> *Trull v. Skinner*, 17 Pick. 213; *Remsen v. Hay*, 2 Edw. Ch. 535; *Wynkoop v. Cowing*, 21 Ill. 570; *Hicks v. Hicks*, 5 G. & J. 75; *Watson v. Edwards*, 105 Cal. 70; *Lisle v. Reeve* [1902], 1 Ch. 71. Although such a transaction is closely scrutinized in equity, and its fairness must distinctly appear. *Holridge v. Gillespie*, 2 Johns. Ch. 34; *Russell v. Southard*, 12 How. 154; *Villa v. Rodrigues*, 12 Wall. 323; *Liskey v. Snyder*, 56 W. Va. 610; *Webb v. Rorke*, 2 Sch. & Lef. 673. See, also, *Brown v. Gaffney*, 28 Ill. 150; *Baughner v. Merryman*, 32 Md. 185; *Dougherty v. McCollgan*, 6 Gill & J. 275; *Miller v. Green*, 37 Ill. App. 631; *Moeller v. Moore*, 80 Wis. 434, and *Hall v. Lewis*, 118 N. Car. 509, where it was held that the purchase of the mortgagor's equity by the mortgagee is presumed to be fraudulent. *Sed quare*.

*Walker v. Farmers' Bank*, 6 Del. Ch. 81.

<sup>2</sup> *Johnson v. Gray*, 16 S. & R. 365; *Clark v. Henry*, 2 Cow. 324; *Stover v. Bounds*, 1 Ohio St. 107; *Pritchard v. Elton*, 38 Conn. 434; *McNess v. Swaney*, 50 Mo. 391; *Skinner v. Miller*, 5 Little, 84; *Heister v. Madeira*, 3 W. & S. 388; *Wilson v. Drumrite*, 21 Mo. 325; *Rogan v. Walker*, 1 Wis. 527; *Henry v. Clark*, 7 Johns. Ch. 40; s. c. 2 Cow. 324; *Jaques v. Weeks*, 2 Watts, 261, 277; *Woods v. Wallace*, 22 Pa. 171; *Robinson v. Farely*, 16 Ala. 472; *Venderhaise v. Hugues*, 2 Beas. 410; *Pierce v. Robinson*, 13 Cal. 125; *Rankin v. Mortimere*, 7 Watts, 372; *Clark v. Condit*, 18 N. J. Eq. 358; *Jackson v. Lynch*, 129 Ill. 72. See *Glendenning v. Johnston*, 33 Wis. 347, for an exceptional case. Notes to *Thornbrough v. Baker*, *supra*; 2 Wash. Real Prop. 67.

<sup>3</sup> If a mortgagee uses the power his mortgage has given him to obtain the equity of redemption for less than its value, a court of equity will hold such transaction a mortgage and will permit the mortgagor to redeem. *Noble v. Graham*, 140 Ala. 413.

<sup>4</sup> *Per Taft, C. J., in United States v. Flint & P. M. Ry. Co.*, 37 C. C. A. 163.

<sup>5</sup> *Lisle v. Reeve* [1902], 1 Ch. 64, 71.

the parties whereby the mortgagee was to have (in substance) an option to purchase a moiety of the mortgaged property at a price equal to the loan. At the date of this subsequent agreement the debt had not matured and the *legal* right to redeem consequently still existed. During the currency of the option the mortgagee (plaintiff) elected to exercise it, but the mortgagor (defendant) refused to convey. The mortgagee then brought this action for specific performance. The Lords Justices of Appeal held (differing from the reasons of the court below, although affirming the judgment) that if the mortgage and the subsequent agreement were to be regarded as one transaction, the contract might have been objectionable as containing a provision which clogged the equity of redemption; but that inasmuch as the option to buy was given *after* the execution of the mortgage, there was nothing to prevent the enforcement, in equity, of such a stipulation. The case is also interesting and instructive because although the court below had expressed the view that an equity of redemption did not exist, in any case, in which there had not been a previous legal right to redeem, and that where no such legal right had existed, or had been put an end to during its currency by the satisfaction of a condition, there was no room for the application of the maxim "once a mortgage always a mortgage," yet this opinion was repudiated by the Court of Appeal and the decision put upon the ground already stated.

Moreover, equity does not allow the privileges of a mortgagor to be clogged by *any* stipulations which are inconsistent with his character as mortgagor. It was said by an English judge many years ago that "a man shall not have interest for his money and a collateral advantage, besides, for the use of it, or clog the redemption with any by-agreement;"<sup>1</sup> and this rule has always been approved and acted on.<sup>2</sup> Thus, agreements that if interest is not paid at the end of the year it is to be converted into principal;<sup>3</sup> that a commission, or a bonus, would be paid in case the mortgage should be paid off;<sup>4</sup> that the mortgagee shall be re-

<sup>1</sup> Jennings v. Ward, 2 Vern. 520.

<sup>2</sup> James v. Kerr, 40 Ch. D. 459; Marquess of Northampton v. Pollock, 45 Id. 215; Santley v. Wilde [1899], 1 Ch. 747; Noakes & Co., Ltd., v. Rice [1902], A. C. 24; Bradley v. Carritt [1903], A. C. 253. See Macaulay v. Smith, 132 N. Y. 524.

<sup>3</sup> Chambers v. Goldwin, 9 Ves. 271.

<sup>4</sup> Chapple v. Mahon, 5 Ir. Eq. 225; James v. Kerr, 40 Ch. D. 459. See Potter v. Edwards, 26 L. J. Ch. 468, and Mainland v. Upjohn, 41 Ch. D. 140, for exceptional cases the other way; also, Broad v. Selfe, 11 W. R. 1036.

ceiver of the rents with a commission,<sup>1</sup> and the like, have been held invalid.<sup>2</sup> In *Noakes & Co., Ltd., v. Rice*,<sup>3</sup> a mortgagor was held entitled to redeem the mortgaged premises free and discharged of a covenant in the mortgage not to sell malt liquors except those purchased from the mortgagee; and Lord Alverstone, M.R., fully approved the rule in *Jennings v. Ward* and distinguished *Santley v. Wilde*.<sup>4</sup>

#### 154. Distinction between mortgages and conditional sales.

The care which equity takes to call into being and preserve the right of redemption is shown in the tendency which exists in Courts of Chancery (and in courts of law where equitable doctrines are recognized) to construe alleged conditional sales to be, in fact, mortgages. A sale coupled with a stipulation or condition that the vendor shall be at liberty to buy back the property within a certain time, is not forbidden by law, and when such a contract is made the parties must abide by it, and the original vendor has no right to insist upon a resale to himself at any day after the stipulated time.<sup>5</sup> But when the transaction is in substance a security for a debt, and when there is sufficient evidence to show that *that* was the real intention of the parties, it is obvious that the nature of the contract is that of a mortgage, and not of a sale with the privilege of buying back.<sup>6</sup> The mere fact, therefore, that the transaction has assumed the shape of a conditional sale will not be allowed to alter the rights of the parties, or deprive the party who is in fact, though perhaps not in name, a mortgagor, of his equity of redemption. The difficulty in most cases is to ascertain what the actual nature of the transaction was intended by the parties to be. Each case must, of course, to a great extent, depend upon the circumstances peculiar to itself: but

<sup>1</sup> *Chapple v. Mahon*, 5 Ir. Eq. 225.

<sup>2</sup> Note to *Thornbrough v. Baker*, *ut sup.*

<sup>3</sup> [1902] A. C. 24.

<sup>4</sup> [1899] 2 Ch. 474.

<sup>5</sup> See *Buse v. Page*, 32 Minn. 111. Where there is simply a deed with a bond for reconveyance in payment of a certain sum, the transaction will be considered *prima facie* a conditional sale, not a mortgage. *Id.*; *Sullivan v. Woods*, 5 Ariz. 196; *Fabrique v. Mining Co.*, 69 Kan. 733.

<sup>6</sup> See *Danzeisen's Appeal*, 73 Pa. 65; *Huonaker v. Merkey*, 102 Id. 466; *McIntier v. Shaw*, 6 Allen, 83; *Sweet v. Parker*, 22 N. J. Eq. 453; *Clark v. Lyon*, 46 Ga. 202; *Wilson v. Patrick*, 34 Ia. 362; *Bigler v. Jack*, 114 Id. 667; *Moore v. Wade*, 8 Kan. 381; *Hunter v. Hatch*, 45 Ill. 178; *Church v. Cole*, 36 Ind. 35; *Davis v. Clay*, 2 Mo. 161; *Phoenix v. Gardner*, 13 Minn. 430; *Yates v. Yates*, 21 Wis. 473; *Cotterell v. Long*, 20 Ohio, 464; *Bennett v. Union Bank*, 5 Humph. 612.

there are certain *indicia* of intention which frequently occur, and which when they do exist are always looked to. Among these are the sufficiency or insufficiency of the price paid; whether or not existing securities or evidences of indebtedness were given up or cancelled; whether there was any obligation to repay the purchase-money; and whether the grantee entered into immediate possession of the premises.<sup>1</sup>

Whatever difficulty there may be in determining the nature of any particular transaction, two general rules seem to be established by the authorities: first, that if the agreement is in substance a mortgage, its form cannot deprive the debtor of his equity of redemption;<sup>2</sup> and secondly, that courts will lean very strongly towards construing the agreement to be a mortgage rather than a conditional sale.<sup>3</sup>

Where, however, it plainly appears that a conditional sale was intended, the parties will be held to their bargain.<sup>4</sup>

### 155. Absolute deed may be shown to be a mortgage.

In favor of the equity of redemption a Court of Chancery will

<sup>1</sup> See note to the case of *Haines v. Thompson*, 11 Am. Law. Reg. (N. S.) 680; 70 Pa. 434. See, also, *Bridges v. Linder*, 60 Ia. 190; *Vincent v. Walker*, 86 Ala. 333; *Rose v. Gandy*, 137 Ala. 329; *Franklin v. Ayre*, 22 Fla. 664; *Wolfe v. McMillan*, 117 Ind. 587; *Cobb v. Day*, 106 Mo. 278; *Fisher v. Green*, 142 Ill. 80.

<sup>2</sup> *Banning v. Sabin*, 51 Minn. 132.

<sup>3</sup> *Cornell v. Hall*, 22 Mich. 377; *Watkins v. Gregory*, 6 Blackf. 113; *Peterson v. Clark*, 15 Johns. 205; *Rice v. Rice*, 4 Pick. 349; *Hughes v. Sheaff*, 19 Ia. 342; *Wilson v. Patrick*, 34 Id. 370; *Weatherly v. Weatherly*, 40 Miss. 469; *Wing v. Cooper*, 37 Vt. 179. See, also, *Kerr v. Gilmore*, 6 Watts, 406; *Heister v. Madeira*, 3 W. & S. 284; *Ruffier v. Womaek*, 30 Tex. 332; *Robinson v. Willoughby*, 65 N. C. 520; *Carpenter v. Snelling*, 97 Mass. 452; *Flagg v. Mann*, 2 Sumn. 486; *Colwell v. Woods*, 3 Watts, 188; *Kunkle v. Wolfersberger*, 6 Id. 126; *Rankin v. Mortimore*, 7 Id. 372;

*Todd v. Campbell*, 32 Pa. 250; *Kel-lum v. Smith*, 33 Id. 158; *Houser v. Lamont*, 55 Id. 311; *Halo v. Schick*, 57 Id. 319; *Spering's Appeal*, 60 Id. 199; *McClurkan v. Thompson*, 67 Id. 305; *Sweetzer's Appeal*, 71 Id. 284. See, also, *Payne v. Patterson*, 77 Id. 134, for a case which is to be distinguished from the above. Notes to *Thornbrough v. Baker*, 2 Lead. Cas. Eq. 1046 (4th Am. ed.); 2 Wash. on Real Prop. 62, 64; *King v. Greves*, 42 Mo. App. 168; *Kahau v. Booth*, 10 Hawaii, 332.

<sup>4</sup> *Conway's Ex'rs v. Alexander*, 7 Cranch, 218; *Haines v. Thompson*, 70 Pa. 434; *Pearson v. Seay*, 35 Ala. 612. See, also, *Pitts v. Cable*, 44 Ill. 103; *Carr v. Rising*, 62 Id. 14; *Turner v. Kerr*, 44 Mo. 429; *Cornell v. Hall*, 22 Mich. 377; *Hanley v. Houghtaling*, 41 Cal. 22; *Hanford v. Blessing*, 80 Ill. 188; *Kunert v. Strong*, 103 Wis. 70; *Keough v. Meyers*, 43 La. Ann. 962.

allow a deed, absolute on its face, to be shown to be a mortgage. This principle is recognized in nearly all, if not all, the states of the Union (except, of course, in those in which the law has been changed by statute),<sup>1</sup> and is settled by a host of decisions.<sup>2</sup> Parol evidence is admissible in such cases in most of the states of the

<sup>1</sup> See, in Pennsylvania, the Act of June 8, 1881 (P. L. 84), and *Hartley's Appeal*, 103 Pa. 23; *Sankey v. Hawley*, 118 Id. 30; *O'Donnell v. Vandersaal*, 213 Pa. 551.

Act Pa. June 8, 1881 (P. L. 84), which provides that a deed absolute on its face shall not be reduced to a mortgage except by a defeasance in writing signed, sealed, and delivered at the time and recorded within 60 days, does not render void or ineffective an unrecorded declaration of trust executed by an absolute grantee to the grantor, by which it declared that it held the property in trust for certain purposes plainly expressed therein, merely because one of such purposes was to sell lots from the property and from the proceeds to repay itself certain advances; and the trustee cannot treat such instrument as a defeasance merely and assert its legal title to avoid the execution of the trust. *Linton v. Safe Deposit Co.*, 147 Fed. Rep. 824.

<sup>2</sup> Among the authorities upon this point are *Villa v. Rodriguez*, 12 Wall. 323; *Risher v. Smith*, 131 U. S. clvi, Appendix; *Sweet v. Parker*, 22 N. J. Eq. 453; *Horn v. Keteltas*, 46 N. Y. 605; *Odenbaugh v. Bradford*, 67 Pa. 96; *Sweetzer's Appeal*, 71 Id. 273; *Gaines v. Bockerhoff*, 136 Id. 197; *French v. Burns*, 35 Conn. 359; *Wing v. Cooper*, 37 Vt. 179; *Tedens v. Clark*, 24 Ill. App. 510; *Campbell v. Dearborn*, 109 Mass. 130; *Pierce v. Robinson*, 13 Cal. 116; *Heath v. Williams*, 30 Ind. 495; *Roberts v. McMahan*, 4 Greene (Ia.), 34; *Zuver v. Lyons*, 40 Ia. 510; *Skinner v. Miller*, 5 Litt. 86; *Moore v. Wade*, 8 Kan. 380;

*Swetland v. Swetland*, 3 Mich. 482; *Jones v. Jones*, 20 S. D. 632; *Duerden v. Solomon*, 33 Utah, 468. Alabama case, see *Reeves v. Abercrombie*, 108 Ala. 535; *Fridley v. Somerville*, 60 W. Va. 272; *Smith v. Pfluger*, 126 Wis. 253; *Emerson v. Atwater*, 7 Id. 12; *Carr v. Carr*, 52 N. Y. 251; *Brown v. Clifford*, 7 Lans. 46; *Fessler's Appeal*, 75 Pa. 483; *Nichols v. Cabe*, 3 Head, 93; *Wilcox v. Bates*, 26 Wis. 465; *McMillan v. Bissell*, 63 Mich. 66; *Anglo-California Bank v. Cerf*, 147 Cal. 384; *Cassem v. Heustia*, 201 Ill. 208; *Clark v. Seagraves*, 186 Mass. 430; *Carveth v. Winegar*, 133 Mich. 34; *Evans v. Thompson*, 89 Minn. 202; *Stett v. Lumber Co.*, 96 Minn. 27; *Duell v. Leslie*, 207 Mo. 658; *Grogan v. Valley Trading Co.*, 30 Mont. 229; *Tannyhill v. Pepperl*, 70 Neb. 31; *Kramer v. Wilson*, 49 Or. 333. A legal or equitable interest in land at the time a deed was made is essential to the right to redeem on the theory the deed was intended as a mortgage. *Conkey v. Rex*, 212 Ill. 444. One who comes into equity to have a deed and contract declared to be a mortgage must be prepared to do equity and will be required to pay legal interest although the contract rate was usurious. *Malone v. Danforth*, 137 Mich. 228. "Every instrument purporting to be an absolute or qualified conveyance of real estate or any interest therein but intended to be defeasible, or as security for the payment of money, shall be deemed a mortgage, and must be recorded and foreclosed as such." Okla. Session Laws 1897, § 12, chap. 8; *Vinsling v. Redwine*, 12 Okla. 64.



Union, for the Statute of Frauds is not applicable;<sup>1</sup> but it must be very clear.<sup>2</sup>

The ground upon which this doctrine is placed by Chancellor Kent is that of fraud, accident, or mistake; and according to that view, where neither of these elements exists, the absolute deed cannot be shown to be a mortgage.<sup>3</sup> But it has been decided in the Supreme Court of the United States, that where a deed is *intended* to operate as a mortgage, it would be a fraudulent act on the part of the grantee to insist upon its being absolute, and on that ground the grantor would be entitled to relief;<sup>4</sup> and this is now the rule in New York,<sup>5</sup> and is the more generally accepted doctrine in this country.<sup>6</sup>

### 156. Foreclosure suits.

Equity, having thus interposed so justly and so decidedly in favor of the mortgagor, was now ready to lend its assistance to the mortgagee, who, in his turn, might have been subjected to great inconveniences if the Court of Chancery had not come to his relief. Because, for a man to hold possession of an estate, and yet to be all the time at the risk of being deprived of the enjoy-

<sup>1</sup> *Maffitt's Adm'r v. Rynd*, 69 Pa. 387; *Ballentine v. White*, 77 Id. 25; *Sanders v. Beck*, 92 Ind. 49; *Ahern v. McCarthy*, 107 Cal. 382; *Burnett v. Wright*, 135 N. Y. 543; *Jennings v. Dammon*, 194 Mass. 108; *Blackstock v. Robertson*, 42 Colo. 472. Mississippi Code of 1892, § 4233, provides that a conveyance or other writing absolute on its face, where the maker parts with the possession of the property conveyed by it, shall not be proved, at the instance of any of the parties, by parol evidence, to be a mortgage only, unless fraud in its procurement be the issue to be tried. *Armstrong v. Owens*, 83 Miss. 10.

<sup>2</sup> See 2 Washburn on Real Property, 50 *et seq.*; *McGinity v. McGinity*, 63 Pa. 45; *Plumer v. Guthrie*, 76 Id. 455; *Becker v. Howard*, 75 Wis. 415; *Clinton Hill Lumber Co. v. Strieby*, 52 N. J. Eq. 576; *Bobb v. Wolff*, 148 Mo. 335; *Tennessee Coal, etc., Co. v. Wheeler*, 125 Ala. 538; *Rankin v.*

*Rankin*, 216 Ill. 132; *Little v. Braun*, 11 N. D. 410; *Holladay v. Willis*, 101 Va. 274; *Betts v. Betts*, 132 Iowa, 72. "Must be clear, certain, satisfactory, unequivocal, trustworthy and convincing, in short, the case must be made out beyond a reasonable doubt." *Butsch v. Smith*, 40 Colo. 64.

<sup>3</sup> See *Stevens v. Cooper*, 1 Johns. Ch. 245, following the rule in *Irnham v. Child*, 1 Bro. Ch. C. 92; *Norris v. McLam*, 104 N. C. 159; *Munford v. Green's Adm'r*, 103 Ky. 140.

<sup>4</sup> *Babeock v. Wyman*, 19 How. 289; *Morgan v. Shinn*, 15 Wall. 105; *Russell v. Southard*, 12 How. 139; *Watts v. Kellar*, 12 U. S. App. 274. See *Adams v. Adams*, 51 Conn. 544; *McPherson v. Hayward*, 81 Me. 329; 2 Wash. Real Prop. 58, and the American note to *Woollam v. Hearn*, 2 Lead. Cas. Eq. 673 *et seq.*, where the subject is discussed at length.

<sup>5</sup> *Brown v. Clifford*, 7 Lans. 46.

<sup>6</sup> See *Jones on Mortgages*, § 322.

ment of it at the option of the debtor, and whenever it might suit the convenience of the latter to pay the debt, was, it is plain, to hold land by a very precarious and uncertain tenure. The mortgagee could not improve beyond the necessary repairs without being liable to have the improved property taken away from him at any moment.<sup>1</sup>

It was, therefore decided in equity that a bill would be entertained for the purpose of foreclosing (as it was termed) the mortgagor's equity of redemption. By the decree made under this bill a new day was fixed, on or before which the debtor was required to pay the debt, and if he failed to meet his obligation at the new date thus specified, his right to redeem was forever foreclosed, and his estate absolutely forfeited to the mortgagee.<sup>2</sup>

It required one step more to render the remedy entirely fair to both parties. This was effected in England by the statute 15 & 16 Vict., c. 86, under which a sale of the mortgaged premises can be made in a foreclosure suit. So much of the proceeds as is necessary to pay to the mortgagee his debt, interest, and costs is devoted to that purpose, and the balance is handed to the mortgagor. The mortgagee's remedy in many of the United States is prescribed and regulated by statute, and in some of them a foreclosure is accomplished by petition or *scire facias*. In others, the proceedings by bill in equity are retained being in some cases, however, slightly modified by statute;<sup>3</sup> and in nearly all of them the proceedings in foreclosure result in a sale of the mortgaged premises.<sup>4</sup>

It may be observed, also, that cases may arise in which the method of foreclosure provided by statute may not be adequate to settle all the equities, and that where this is so, chancery will entertain jurisdiction.<sup>5</sup> It has, moreover, been decided that the insertion of a power of sale in the mortgage does not supersede the remedy by foreclosure bill.<sup>6</sup>

<sup>1</sup> See *post*, § 157.

<sup>2</sup> See *Clark v. Reyburn*, 8 Wall. 323, and *Morgan's Co. v. Texas Cent. R'y Co.*, 137 U. S. 171; *Moulton v. Cornish*, 138 N. Y. 133; *Denton v. Ontario County Nat. Bk.*, 150 Id. 126.

<sup>3</sup> It would be impossible to notice the statutory provisions in the different states as to the remedies of the

mortgagee. Reference may be had to Wash. on Real Prop., Book I., Chap. XVI., § X.; and to Jones on Mortgages, Chap. XXVII. *et seq.*

<sup>4</sup> *State v. Campbell*, 5 S. D. 636.

<sup>5</sup> *Drayton v. Chandler*, 93 Mich. 383.

<sup>6</sup> *Clark v. Jones*, 93 Tenn. 639; *Girard Trust Co. v. Avonmore Land Co.*, 221 Pa. 52.

### 157. Rights and duties of mortgagor and mortgagee.

During the existence of the mortgage there are certain other rights of the parties which have not yet been noticed, but which ought to be spoken of.

And, in the first place, as to the mortgagor, it must be remembered that if he is suffered to remain in possession, he remains in as owner, and is not accountable for the rents and profits,<sup>1</sup> and they are liable for his debts. As long as he is permitted by the mortgagee to retain the actual enjoyment of the estate, his rights of ownership are the same as those of any other holder of a fee; subject, however, to this qualification—he cannot commit waste.<sup>2</sup>

If a mortgagor is wasting the land so as to affect the security of the mortgagee, chancery will interfere on a bill filed by the latter for the purpose of restraining this inequitable use of his estate on the part of the mortgagor.<sup>3</sup>

On the other hand, a court of equity will not only restrain the mortgagee when in possession from committing waste, but will also hold him accountable for the rents and profits. His possession not being a tortious one, he is, of course, not considered liable for all that he *might* have received—he is only answerable for all that he has *actually* received, or could have collected with reasonable diligence. He is not to be held to the strictest accountability on the one hand, and, on the other, he is not permitted to be entirely negligent or wasteful in the management of the estate. And he is responsible to the same extent when he has assigned the mortgage, because it is considered his duty to see that none but a proper person is allowed to enter into possession of the land.<sup>4</sup>

<sup>1</sup> See *Galveston Railroad v. Cowdrey*, 11 Wall. 459; *Gilman v. Ill. & Miss. Tel. Co.*, 91 U. S. 617; *American Bridge Co. v. Heidelberg*, 94 Id. 800; *Teal v. Walker*, 111 Id. 242; *Childs v. Hurd*, 32 W. Va. 66; *Leach v. Curtin*, 123 N. C. 85; *Barron v. Whiteside*, 89 Md. 448.

<sup>2</sup> *Spence Eq.* 648; 1 Wash. on Real Prop., Book I., Chap. XVI., § V.; *Jones on Mortgages*, §§ 670 *et seq.*

<sup>3</sup> *Jones on Mortgages*, §§ 684 *et seq.*

<sup>4</sup> Upon the subject of the extent of the accountability of a mortgagee in

possession, and the manner of taking the account, see *Sanders v. Wilson*, 34 Vt. 321; *Miller v. Lincoln*, 6 Gray, 556; *Ruekman v. Astor*, 9 Paige, 517; *Bell v. The Mayor of New York*, 10 Id. 73; *Hubbell v. Moulson*, 53 N. Y. 225; *Strong v. Blanchard*, 4 Allen, 538; *Richardson v. Wallis*, 5 Id. 78; *Hubbard v. Shaw*, 12 Id. 120; *Boston Iron Co. v. King*, 2 Cush. 400; *Shaef-fer v. Chambers*, 2 Hals. Ch. 548; *Rawlings v. Stewart*, 1 Bland, 22, note; *Breckenridge v. Brooks*, 2 A. K. Marsh. 339; *Powell v. Williams*, 14 Ala. 476; *Anthony v. Rogers*, 20 Mo.

### 158. Tacking.

One of the consequences of the fact that a mortgage is in form a conveyance of the legal title from the mortgagor to the mortgagee, was that a second mortgagee could acquire only an equitable title to the mortgaged property; in other words, he was merely an equitable encumbrancer. Now, in case an equitable encumbrancer gets in the legal title, then, unless there is some countervailing equity to deprive him of this advantage, his position will be superior to that of his fellow-encumbrancers, in obedience to the equitable maxim that where equities are equal the law shall prevail. This is the origin of the doctrine of *tacking*—which exists in the law of mortgages in England, but which has rarely been adopted in the United States.<sup>1</sup> The doctrine may be best explained by an example. Suppose there are three mortgages, all of different date. The mortgagee first in point of time will hold the legal title, the other two will be simply equitable encumbrancers. Now, if the third mortgagee buys in the first mortgage, so as to become the owner of the legal title, he has a right to tack the two mortgages together, and realize the whole amount due on both, prior to the second mortgagee, whose security is thus, as it were, squeezed out between the first and third mortgage.<sup>2</sup> But this can only be allowed in those cases in which the third mortgagee had no notice of the existence of the second mortgage at the time he took his mortgage. If he became mortgagee with notice *at the time* of the second mortgage, he will not, under these circumstances, be allowed to protect himself by getting in the first mortgage to the prejudice of the second mortgagee.<sup>3</sup> But notice of the existence of the second mortgage, *after*

281; *Gilman v. Wills*, 66 Me. 273; *Barnard v. Jennison*, 27 Mich. 230; *Montgomery v. Chadwick*, 7 Ia. 114; *Milliken v. Bailey*, 61 Me. 316; *Moore v. Titman*, 44 Ill. 367; *Strang v. Allen*, Id. 428; *Harper v. Ely*, 70 Id. 581; *Caldwell v. Hall*, 49 Ark. 508; *Jackson v. Lynch*, 129 Ill. 72; *Brown v. Sav. Bank*, 148 Mass. 300; *Murdock v. Clarke*, 90 Cal. 427; *Gribbel v. Brown*, 202 Pa. 15; *Krutz v. Gardner*, 25 Wash. 396; 2 Wash. on Real Prop. 204-216; *Jones on Mortgages*, § 1114. The accountability of a mortgagee for rents which

he *might* have received may be modified if he supposed himself to have an absolute title. *Parkinson v. Hanbury*, L. R. 2 H. L. 1; *Cookes v. Culbertson*, 9 Nev. 199.

<sup>1</sup>“No principle analogous to tacking has ever been recognized in this state.” *Fritch v. Bank*, 191 Pa. 289.

<sup>2</sup> See notes to *Marsh v. Lee*, 1 Lead. Cas. Eq. 615 (4th Eng. ed.), where this subject is discussed at length. See, also, *Hosking v. Smith*, 13 App. Cas. 582, and *Taylor v. Russell* [1892], App. C. 244.

<sup>3</sup> 1 Lead. Cas. Eq. 621.

he has advanced the money, cannot then deprive him of the right to buy in the legal title, and protect himself thereby.<sup>1</sup> A junior encumbrancer, if he finds that he is likely to be postponed to a prior lien, of which he had no notice when he became mortgagee, may protect himself by getting in the legal title, and using it (as has been said) as a plank in a shipwreck.<sup>2</sup>

So, also, if a mortgagee lends a further sum on another mortgage, he will be allowed to tack the last mortgage to the first, and cut out a second encumbrancer.

The right to tack does not exist in favor of judgment-creditors, or of any one except those who have advanced their money on the credit of the land. A first mortgagee may, however, tack a judgment to his mortgage.<sup>3</sup>

Somewhat similar to the doctrine of tacking is that of (what may be termed) consolidation of mortgages, by which a mortgagee, when tendered the sum due, has a right to insist that the mortgagor shall, at the same time, redeem a debt secured upon another estate, or, in other words, say to him, "pay off both debts or you shall not redeem one." <sup>4</sup>

### 159. Mortgages to secure future advances.

The doctrine of tacking (which is an extremely harsh and inequitable one) does not exist to any extent in the United States.<sup>5</sup> A rule apparently analogous may, however, be found in those cases where a mortgage is given to secure future advances, and where the mortgagee is allowed to recover sums subsequently advanced, as against a *mesne* mortgagee.

The general definition of a mortgage given above, supposes that the debt intended to be secured was contemporaneous with, or prior to, the mortgage. Mortgages, however, are sometimes

<sup>1</sup> Id. 616.

<sup>2</sup> By Lord Hale in *Marsh v. Lee*, *supra*.

<sup>3</sup> Notes to *Marsh v. Lee*, *supra*:

<sup>4</sup> *Pledge v. White* [1896], App. Cas. 187; [1895] 1 Ch. 51; following *Vint v. Paget*, 2 De G. & J. 611. But see *Tassell v. Smith*, 2 De G. & J. 713; *Baker v. Gray*, 1 Ch. 491; *Dorow v. Kelly*, 1 Dallas, 142; *Minter v. Carr* [1894], 2 Ch. 321; *Anderson v. Neff*, 11 S. & R. 208, 223; *Thomas's Appeal*, 30 Pa. 378. In Connecticut

the doctrine is recognized. See *Chamberlain v. Thompson*, 10 Conn. 251; *Phelps v. Ellsworth*, 3 Day, 397; *Rowan v. The Sharps' Rifle Man. Co.*, 29 Conn. 282, 324. See, also, *Lamson v. Sutherland*, 13 Vt. 309; *Walting v. Aiken*, 1 McMullan Eq. 1; *Lee v. Stone*, 5 Gill & J. 1.

<sup>5</sup> See 4 Kent's Com., 178, 179; 2 Sug. V. & P. 500 (8th Am. ed.), notes; *Parkist v. Alexander*, 1 Johns. Ch. 399; *Green v. U. S. Bank*, 1 Cal. Cas. in Error, 112.

given for the purpose of securing advances to be made in the future;<sup>1</sup> and when this is the case questions of no little interest and importance arise. A leading authority upon the general subject, in England, is the case of *Brace v. The Duchess of Marlborough*.<sup>2</sup> It was there held (*inter alia*) that "if a first mortgagee lends a further sum to the mortgagor upon a statute or judgment, he shall retain against a *mesne* mortgage till both the mortgage and statute or judgment are paid;" and it has been decided that *a fortiori* is this the case, if the first mortgagee lends the additional sum on a mortgage.<sup>3</sup> But this rule is subject to the qualification, also laid down in *Brace v. The Duchess of Marlborough*, that the party making the subsequent advance must have had *no notice* of the second mortgage; for being without notice is his sole equity.<sup>4</sup> It has, moreover, been held that even if the first mortgage is given to secure a sum and *further advances*, yet if the first mortgagee made such further advances after notice of a *mesne* incumbrance, he will not be entitled to priority in respect of the same.<sup>5</sup> And this is the rule even although the second mortgagee had notice of the nature of the first mortgage.<sup>6</sup>

In the United States it had been established law for many years that a mortgage may be given for future advances—for debts to be contracted, as well as for those already due.<sup>7</sup>

The future advances, however, to be protected, must be made

<sup>1</sup> *Lyle v. Ducomb*, 5 Binn. 585; *Irwin v. Tabb*, 17 S. & R. 419; *Garber v. Henry*, 6 Watts, 57; *Maffitt's Adm'r v. Rynd*, 69 Pa. 387.

<sup>2</sup> 2 P. Wms. 491.

<sup>3</sup> *Morret v. Parke*, 2 Atk. 252.

<sup>4</sup> 1 L. Ca. Eq. 621; *Marsh v. Lee*, n.

<sup>5</sup> *Shaw v. Neale*, 20 Beav. 157; 6 H. L. Cas. 581; *Hopkinson v. Rolt*, 9 H. L. Cas. 514; *West v. Williams* [1899], 1 Ch. 132; *Bradford Banking Co. v. Briggs*, 12 App. Cas. 36. These cases overruled the old case of *Gordon v. Graham*, 2 Eq. Cas. Ab. 598, which was, however, erroneously reported, the decision being, in fact, the other way. In Maryland the case of *Gordon v. Graham*, as reported, has been followed. *Wilson v. Russell*, 14 Md. 495.

<sup>6</sup> *Shaw v. Neale*; *Hopkinson v. Rolt*, *supra*.

<sup>7</sup> *United States v. Hooe*, 3 Cranch, 89; *Shirras v. Caig*, 7 Id. 34; *Lawrence v. Tucker*, 23 How. 14; *Ripley v. Harris*, 3 Biss. 201; *Kansas Valley Bank v. Rowell*, 2 Dillon, 371; *Allen v. Lathrop*, 46 Ga. 133; *Brackett v. Sears*, 15 Mich. 244; *Appeal of Bank of Commerce*, 44 Pa. 423; *Taylor v. Cornelius*, 60 Id. 187; *Goddard v. Sawyer*, 9 Allen, 78; *Seymour v. Darrow*, 31 Vt. 122; *Crane v. Deming*, 7 Conn. 387; *Baleh v. Chaffee*, 73 Conn. 318; *Joelyn v. Wynne*, 5 Allen, 62; *Bank of Utica v. Finch*, 3 Barb. Ch. 293; *Bell v. Fleming*, 1 Beas. 13, 490; *Ladue v. The Railroad Co.*, 13 Mich. 380; *Tully v. Harloe*, 35 Cal. 302; *Foster v. Reynolds*, 28

without notice of the intervening encumbrance.<sup>1</sup> And it has been held that the recording of the intervening encumbrance is sufficient notice.<sup>2</sup> But where advances are made in pursuance of a binding agreement, the party making them will be protected;<sup>3</sup> it being, of course, understood that the agreement is cotemporaneous with the mortgage.<sup>4</sup>

It must be remembered that when the subsequent advances are not made by the first mortgagee, in pursuance of the terms of the first mortgage, but by virtue of an independent and subsequent security, the only thing which will protect him in such a case will be the doctrine of tacking, which (as has been already stated) is not generally recognized throughout the United States.

The equity of redemption being considered in equity as an *estate*, the interest of the mortgagee is in the eye of equity personalty, and passes to the executor, and not to the heir. A transfer of the debt, secured by a mortgage, will entitle the assignee to the benefits of the mortgage security; and the payment of the debt will operate to revest an absolute title in the mortgagor, without the necessity of any reconveyance.<sup>5</sup>

### 160. Merger ; sometimes prevented in Equity.

In dealing with the two titles of the mortgagor and mortgagee, equity will sometimes interfere for the purpose of preventing the application of the doctrine of merger, by which the interests of the owner of the land might be injuriously affected. It is well settled that where the legal and equitable estate in the same land become invested in the same person, the equitable will merge in

*Miss. 553; Moroney's Appeal*, 24 Pa. 372; *Farnum v. Burnett*, 21 N. J. Eq. 87; *Witczinski v. Everman*, 51 Miss. 841; note to *Marsh v. Lee*, 1 Lead. Cas. Eq. 606. Though in New Hampshire, by statute, the rule is the other way. *New Hampshire Bank v. Willard*, 10 N. H. 210; *Johnson v. Richardson*, 38 Id. 355. See, however, *Trust Co. v. Company*, 70 N. H. 118; *Citizens' Saving Bank v. Kock*, 117 Mich. 225; *Home Savings & Loan Association v. Burton*, 20 Wash. 688; *Kirby v. Raynes*, 138 Ala. 194.

<sup>1</sup> *Brinkerhoff v. Marvin*, 5 Johns. Ch. 320; *Shirras v. Caig*, 7 Cranch, 45;

1 Lead. Cas. Eq. 608; *Finlayson v. Crooks*, 47 Minn. 74.

<sup>2</sup> *Spader v. Lawler*, 17 Ohio, 371; *Norwood v. Norwood*, 36 S. C. 331; though see *Shirras v. Caig*, 7 Cranch, 45.

<sup>3</sup> *Crane v. Deming*, 7 Conn. 387; *Moroney's Appeal*, 24 Pa. 372; *Farnum v. Burnett*, 21 N. J. Eq. 87; *Hyman v. Hauff*, 138 N. Y. 48; 1 Lead. Cas. Eq. 608. See Wash. on Real Prop. 146.

<sup>4</sup> *Grady v. O'Reilly*, 116 Mo. 346.

<sup>5</sup> 4 Kent's Com. 194, and notes; Williams on Real Prop. 391.

the legal estate;<sup>1</sup> and so, upon the same principle, in the case of mortgages, if the owner of the land becomes also the owner of the mortgage, the two titles will not, as a general rule, remain alive and distinct, but the title as mortgagee will sink into and be swallowed up in the more perfect and complete title as owner.<sup>2</sup> Now, it sometimes happens that to allow this general rule to operate would be productive of great hardship, and would be exceedingly inequitable; for it might be highly for the interest of the owner that the mortgage should be kept alive. Thus, cases have arisen in which the equity of redemption is liable to the dower of the wife of a former owner, which has been released to a former mortgagee.

If, now, the purchaser of the equity of redemption subject to dower buys in the outstanding mortgage, it would be manifestly to his advantage that the mortgage should be kept alive, as otherwise the right of dower would be let in.<sup>3</sup> In such a case as this equity will treat the mortgage title as still subsisting, and will prevent the application of the doctrine of merger. Such an interposition of equity for the purpose of keeping the two titles distinct, will take place, unless there is a declared intention in favor of the merger, or unless such an intention can be presumed to exist from the circumstance that such a merger would be to the owner's advantage.<sup>4</sup> Equity will look at the *intention*; and will pronounce in favor of or against merger, accordingly.<sup>5</sup>

<sup>1</sup> Perry on Trusts, § 347. See 2 Spence Eq. 879, 880.

<sup>2</sup> Wash. on Real Prop., Book I., Chap. XVI., § VI.; and see *Belle-ville Sav. Bank v. Reis*, 136 Ill. 242; *Bleckeley v. Branyan*, 26 S. C. 424; *Bunch v. Grave*, 111 Ind. 351; *Forthman v. Deters*, 206 Ill. 159; *Ames v. Miller*, 65 Neb. 204.

<sup>3</sup> 2 Wash. on Real Prop. 181. See, also, *Evans v. Kimbell*, 1 Allen, 240; *Cook v. Brightly*, 46 Pa. 439.

<sup>4</sup> *Knowles v. Lawton*, 18 Ga. 476; *Waugh v. Riley*, 8 Met. 290; *Van Nest v. Latson*, 19 Barb. 604; *Hutchins v. Carleton*, 19 N. H. 487; *Den. v. Brown*, 2 Dutch. 196; *Loomer v. Wheelwright*, 3 Sand. Ch. 157; *Moore v. Harrisburg Bank*, 8 Watts, 138; *Bryar's Appeal*, 111 Pa. 81; *Pike v.*

*Gleason*, 60 Ia. 150; *International Bank v. Wilshire*, 108 Ill. 143; *In re Pride* [1891], 2 Ch. 135; Wash. on Real Prop. *ut sup.*; *Case v. Fant*, 10 U. S. App. 415; *Watson v. Gardner*, 119 Ill. 312; *Hanlon v. Doherty*, 109 Ind. 37; *Bradford v. Burgess*, 20 R. I. (Part II.) 48. For a curious case, see *Browne v. Perris*, 56 Hun, 601.

<sup>5</sup> *Carrow v. Headley*, 155 Pa. 96; *Vaughan v. Consolidated Mining Co.*, 21 Colo. 54; *Swatts v. Bowen*, 141 Ind. 322; *Cook v. Foster*, 96 Mich. 610; *Mathews v. Jones*, 47 Neb. 616; *Thorn v. Cann* [1895], App. Cas. 11. *Liquidation Estates Purchase Co. v. Willoughby* [1896], 1 Ch. 726. Of course, equity will not permit this rule as to "intention" to be used for the accomplishment of fraud or of



**161. Equitable mortgages to be considered under Liens.**

In addition to the regular and ordinary mortgages above spoken of, there are other securities which are held in equity to be valid encumbrances, and which, partaking somewhat of the nature of mortgages, are frequently termed equitable mortgages.<sup>1</sup>

Such are the vendor's lien for purchase-money; mortgages created by the deposit of title deeds; mortgages of equitable interests; and charges of certain kinds. These, however, are in the nature of *liens*, and do not result in the creation of an independent, equitable *title*. They will, therefore, be considered in the second general division of this treatise under a separate head.<sup>2</sup>

injustice and wrong to others. *Miller v. Wheelan*, 158 Ill. 544, 555; *Allen v. Patrick*, 97 Va. 521; *Moffet v. Farwell*, 222 Ill. 543; *Ames v. Miller*, 65 Neb. 204.

<sup>1</sup> An agreement to give security for the payment of a debt is in equity,

a mortgage. *Gest v. Packwood*, 39 Fed. Rep. 525.

<sup>2</sup> See *post*, Part II., chapter on Liens. Mortgages on personal property will also be considered in the same connection.

## CHAPTER VIII.

## ASSIGNMENTS.

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                        |
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| <p>162. Common-law rule forbidding assignment of <i>choses in action</i>.<br/>         163. Exceptions.<br/>         164. Such assignments allowed in equity.<br/>         165. Assignments of future property; <i>Holroyd v. Marshall; Tailby v. Official Receiver</i>.<br/>         166. Exceptions to the general rule.<br/>         167. Requisites to an equitable assignment.<br/>         168. When notice of assignment necessary; to whom given.</p> | <p>169. Authorities in the United States conflicting.<br/>         170. Effect of equitable assignments; assignment is subject to equities between original parties.<br/>         171. Whether assignment is subject to equities of third parties.<br/>         172. Rights of action of the assignee at law; in equity.<br/>         173. Liability to be sued cannot be transferred; exceptions.</p> |
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**162. Common-law rule forbidding assignment of choses in action.**

THE subjects of property may be divided into two classes—things in possession, and things not in possession; and things not in possession may again be divided into those things of which there is a present right to the immediate possession, and those of which there is a mere right to the future possession. Thus a man may own a cargo of oil (for example) which he either has in his possession, or which he has an immediate right to recover from the possession of another who unlawfully detains it, or which he has the present right to demand and receive at some future time, or which does not yet exist.

The consequences or incidents of these rights may vary, but in all of these cases there is a general, present, right or title of ownership, which any perfect system of justice ought to recognize, protect, and enforce.

Now, the common law could only deal completely with the first of these rights or titles—that is to say, the only ownership which the common law completely recognized was the ownership accompanied by possession. In such cases the owner could enjoy

the property, or transfer it to another. But where the ownership and the possession were severed, the only right which the common law recognized was the right to recover the possession; in other words, the right of the owner was simply a lawsuit—a *chose in action*. And this right or *chose in action* he could not assign. Where there was a present right to the future acquisition of property, the common law was still more at fault, for there was not even a right to recover the goods, but only a right to recover damages for their non-delivery.<sup>1</sup>

At common law, these rights to things not in possession by whatever name they were called, whether *choses in action*, possibilities, expectancies, things not *in esse*, or mere contingencies, were, as a general rule, incapable of being assigned; the reason being twofold: first, that to allow such transfers would be to violate the rules against maintenance and champerty,<sup>2</sup> and, second, because there could be no valid sale unless the thing to be sold was *in rerum natura*, and under the immediate control of the vendor. Hence, it was considered against sound policy to allow any man to transfer to another a mere right to recover in a suit at law, because, in this way (under the old conditions of society), litigation would necessarily be encouraged, and the rich would be induced to buy up lawsuits for the purpose of enforcing them against the poor;<sup>3</sup> and hence, also, it was considered absurd to make a sale when the thing to be sold was not in the actual ownership of the seller. The common law, therefore, sought to prevent this result so far as mere *choses in action* were concerned by a twofold method: in the first place, by punishing such transfers of rights of action as crimes, known in criminal jurisprudence as maintenance and champerty; and, in the second place, by refusing to recognize the title of the transferee of the debt or other *chose in action*, when he sought to recover upon it in a common-law suit. And it prevented the sale of things of which the vendor had not the immediate right to possession, by falling back upon the rude, common-sense notion that if you had not a thing to sell

<sup>1</sup> These rights to property deliverable *in futuro* must be distinguished from remainders and reversions, in which the possession of the particular tenant enured to the benefit of the remainderman or reversioner.

<sup>2</sup> Co. Litt. 214, a; Lampet's Case, 10 Coke, 47; Cassedy v. Jackson, 45

Miss. 402; Thalhimer v. Brinkerhoff, 3 Cow. 623; Pelletreau v. Jackson, 11 Wend. 111; Jackson v. Waldron, 13 Id. 178; Needles v. Needles, 7 Ohio St. 442; note to Ryall v. Rowles, 2 Lead. Cas. Eq. \*770 (4th Eng. ed.).

<sup>3</sup> See *ante*, p. 11.

you could not sell it; in other words, that to every bargain there must be an actual, subsisting subject.

### 163. Exceptions.

To this general rule there were two exceptions, one resulting from the dignity of the person concerned, and the other rendered necessary by the character of the subject-matter of the transfer.

The king could be the assignee of a *chose in action*; <sup>1</sup> and an annuity (although in reality nothing more than a *chose in action*) could be assigned. The reason of the first of these two exceptions was, perhaps, the exalted rank of the individual, which forbade the application of the ordinary rules; for a transfer to the fountain and head of all justice could not be supposed to work injustice. To except annuities from the operation of the rule was in fact illogical, as by strict reasoning they should undoubtedly have fallen within it; but it was, perhaps, felt that it would be oppressive if this very common species of property were not to enjoy the same qualities of alienability which were possessed by personalty in possession, and hence the exception sprang up out of a kind of necessity, and is now thoroughly established. <sup>2</sup>

### 164. Such assignments allowed in equity.

Such was the rule, and such the exceptions, at common law. <sup>3</sup> In equity, while transfers of mere litigious rights are not recognized, yet the principle is firmly established that assignments of *choses in action*, possibilities, expectancies, things not *in esse*, and mere contingencies will be enforced, whenever such assignments are based on a valuable consideration or have assumed such a shape that the assignor has constituted himself a trustee for the assignee. <sup>4</sup> The assignee is looked upon as the true owner of the thing assigned, and is entitled to use it for his own purposes. <sup>5</sup> In other words, equity completely recognizes and enforces the present ownership of things not in possession. <sup>6</sup>

<sup>1</sup> Co. Litt. 232, b., n. Note to Ryall v. Rowles, *supra*.

<sup>2</sup> Gerrard v. Boden, Hetl. 80.

<sup>3</sup> It will be remembered that by custom of merchants bills of exchange were negotiable, and that promissory notes were likewise made negotiable by Stat. 3 and 4 Anne, c. 9.

<sup>4</sup> See Kuhns's Estate, 163 Pa. 438;

Lennig's Estate, 182 Id. 496. *Post*, § 169; Jarvis v. Binkley, 206 Ill. 541.

<sup>5</sup> Morgan v. Bank of North America, 8 S. & R. 73; Ramsey's Appeal, 2 Watts, 228; Kounts v. Kirkpatrick, 72 Pa. 385.

<sup>6</sup> See Wright v. Wright, 1 Ves. Sr. 412; Hinkle v. Wanser, 17 How. 353; Peyton v. Hallett, 1 Caines, 363;

Thus a debt, a mere chance of acquiring an estate,<sup>1</sup> an expectation of an inheritance,<sup>2</sup> or personal property not yet acquired by the assignor, or not yet *in rerum natura*, may all be assigned in equity, and the assignee can have relief in a Court of Chancery, if that relief is necessary to protect or enforce his title.<sup>3</sup> In short, the fact that the property transferred is not in existence "is, in contemplation of equity, not material."<sup>4</sup>

### 165. Assignments of future property.

The principles upon which assignments in equity are based, especially those which have for their subject property to be acquired *in futuro*, have been discussed with great care and learning, during the last few years, in the highest English courts.

It had been decided by the courts of common law that an assignment of future acquisitions, as, for example, the future freight, earnings, and profits of a ship, was void at law,<sup>5</sup> while in equity the same assignment had been upheld.<sup>6</sup> But the opinion had

Cutts v. Perkins, 12 Mass. 206; Brooks v. Hatch, 6 Leigh, 537; Townshend v. Windham, 2 Ves. Sr. 6; Garland v. Harrington, 51 N. H. 414; Perkins v. Butler County, 44 Neb. 110; Row v. Dawson, 1 Ves. Sr. 331; 2 Lead. Cas. Eq. 731; Voyle v. Hughes, 5 Sm. & Giff. 18. In a case in Freeman, p. 144, Lord Keeper Bridgeman is reported to have said that the assignment of a *chose in action* would be protected only when made in satisfaction of some debt due to the assignee, and not when the assignment is voluntary or *for money then given*. This last is clearly not now the rule in equity.

<sup>1</sup> Hobson v. Trevor, 2 P. Wms. 191; Wethered v. Wethered, 2 Sim. 183; Fitzgerald v. Vestal, 4 Sneed, 258; Douglass v. Russell, 4 Sim. 524; Watson v. Smith, 110 N. C. 6.

<sup>2</sup> Varick v. Edwards, 1 Hoff. Ch. 382; Kuhns's Estate, 163 Pa. 438; Clendenen v. Wyatt, 54 Kan. 525; Hale v. Hollon, 90 Tex. 427; right to have dower assigned, McMahon v. Gray, 150 Mass. 289.

<sup>3</sup> And this is so even where the

property (*e. g.*, the sum payable under a life insurance policy) is clogged with an express condition that it shall not be assigned. *In re Turcan*, 40 Ch. D. 10.

<sup>4</sup> Peugh v. Porter, 112 U. S. 742.

<sup>5</sup> Robinson v. Macdonnell, 5 Maule & Sel. 227; trover for the ship Warre and 500 tons of oil. This was the general rule at law. See Lunn v. Thornton, 1 C. B. 379; Hamilton v. Rogers, 8 Md. 301. The modern tendency of courts of law is towards adopting the doctrine of courts of equity upon these subjects. Brown v. Bateman, L. R. 2 C. P. 272; Hope v. Hayley, 5 El. & Black. 829; Leslie v. Guthrie, 1 Bing. (N. C.) 697. See, however, Blakeley v. Patrick, 67 N. C. 40, and Wyatt v. Watkins (Sup. Ct. Tenn.), 16 Albany L. J. 205; note to McCaffrey v. Woodin, 22 Am. Rep. 644; Low v. Pew, 108 Mass. 347.

<sup>6</sup> *In re Ship Warre* (in the matter of Robinson *et al.*, Bankrupts), 8 Price, 269, n. See, also, Field v. The Mayor of New York, 2 Seld. 179; Emery v. Lawrence, 8 Cush.

been expressed, and for some little time continued to prevail, that the equitable right would be imperfect and incomplete unless there was a subsequent possession or some act equivalent to it, for the purpose of perfecting the title; or, in other words, that the maxim of Bacon in regard to legal assignments, "*Licet dispositio de interesse futuro sit inutilis, tamen potest fieri declaratio precedens quæ sortiatur effectum interveniente novo actu,*" was applicable also to equitable assignments, and that the latter, equally with the former, would be incapable of enforcement, unless there was "*novus actus interveniens.*"<sup>1</sup> Upon this ground Lord Chancellor Campbell decided the case of *Holroyd v. Marshall*, and held that where there had been an agreement, by which the machinery and implements thereafter to be brought into a mill should be subject to the trusts of a mortgage, and such machinery was afterwards brought in and had been taken in execution by creditors of the assignor before the equitable assignees had done anything to perfect their title, the assignment was invalid as against the execution creditors. But on appeal to the House of Lords, this decree was reversed. In his judgment in that case, Lord Westbury gave a most lucid statement of the law upon the subject. The true ground upon which this and similar decisions are to be placed appears to be, that a court of equity enforces such assignments on the ground that the assignee is entitled to have immediate specific performance of the contract to assign, as soon as the property comes into existence, in the hands of the assignor. But it must not be understood, by this remark, that the assignee's right is merely in the nature of a right to the specific performance of executory contracts, or is to be measured by the limitations by which that equitable remedy is controlled. The assignee's right is something more. It is a present *title* not existent at law, but thoroughly recognized in equity; and to that title equity stands ready to give full effect the instant the property comes into being.<sup>2</sup> It is true that neither in equity, nor at law, can a contract to transfer property not then in existence, operate as an immediate and complete alienation, for the simple reason that there is nothing which can be immediately and com-

151; *Boylan v. Leonard*, 2 Allen, 407; *Wilt v. Huffman*, 46 W. Va. 473; *Central Trust Co. v. West India Imp. Co.*, 169 N. Y. 314.

<sup>1</sup> See American note to *Row v. Dawson*, 2 Lead. Cas. Eq. 1612,

where the authorities based upon this doctrine, which, in equity at least, is no longer sound, are collected.

<sup>2</sup> See the language of Lord Chancellor Herschell in *Tailby v. Official Receiver*, 13 App. Cas. 531, explain-

pletely transferred. But instantly upon the acquisition of the thing, the assignor holds it in trust for the assignee, whose title requires no act on his part to perfect it.<sup>1</sup> The assignee, therefore, has an equitable *title* from the time of the assignment. The existence of this *title* is illustrated by not a few cases, some of them quite recent. In *Ex parte Barber*,<sup>2</sup> an undertaking to hand over the bill of lading of a cargo of oil then *en route* to the assignor, was held to give the assignee a right superior to that of the assignees in bankruptcy under a *fiat* issued eight days after the assignment.<sup>3</sup> In *Coombe v. Carter*<sup>4</sup> the mortgage was upon "all moneys of or to which the mortgagor was or might, during the security, become entitled under any settlement, will, or other document, either in his own right or as the devisee, legatee, or next of kin of his father or any other person or persons." The mortgagor became entitled under a will to a share in the residuary estate; and the Court of Appeals held that this share was covered

ing the reference of Lord Westbury to the doctrine of specific performance in this connection, alluded to in the text.

<sup>1</sup> *Holroyd v. Marshall*, 10 H. L. Cas. 209. This case was twice argued in the House of Lords. Upon the first argument, the law Lords present were Lords Campbell, Wensleydale, and Chelmsford. Lord Campbell adhered to the opinion which he had pronounced as chancellor (2 De G., F. & J. 596), and Lord Wensleydale was disposed to agree with him; but Lord Chelmsford was in favor of reversing the decree. Upon the second argument, after the death of Lord Chancellor Campbell, Lord Westbury, then chancellor, delivered the opinion, referred to in the text, which induced Lord Wensleydale to change his mind, and confirmed Lord Chelmsford in his views. See further on this subject *Wright v. Wright*, 1 Ves. Sr. 411; *Langton v. Horton*, 1 Hare, 549; *Lindsay v. Gibbs*, 22 Beav. 522; *Brown v. Tanner*, L. R. 3 Ch. 597; *Wilson v. Wilson*, L. R. 14 Eq. 32; *Bate-*

*man*, L. R. 2 C. P. 272; *Philadelphia*, etc., R. R. v. *Woelpper*, 64 Pa. 372; *Morrill v. Noyes*, 56 Me. 465; *Mitchell v. Winslow*, 2 Story, 630; *Brett v. Carter*, 2 Lowell's Dec. 458; *Beall v. White*, 94 U. S. 387; *Wade v. Chicago Sp. & St. L. R. R. Co.*, 149 U. S. 327; *Williamson v. N. J. Southern R. R. Co.*, 25 N. J. Eq. 14; *Stewart v. Kirkland*, 19 Ala. 162; *Pennock v. Coe*, 23 How. 117; *Pierce v. Emery*, 32 N. H. 484; *Benjamin v. Elmira R. R.*, 49 Barb. 441; *Central Trust Co. v. West India Imp. Co.*, 169 N. Y. 31; *Phillips v. Winslow*, 18 B. Mon. 431; *Sillers v. Lester*, 48 Miss. 513; *Pierce v. Mil. R. R. Co.*, 24 Wis. 551; *Barnard v. Nor. & Wor. R. R.*, 14 N. B. R. 469; *Smith v. Bates Machine Co.*, 182 Ill. 166; *First Nat. Bank v. School District*, 77 Neb. 570; *Post*, Part II., chap. on Liens.

<sup>2</sup> 3 Mont. Deac. & De G. 174.

<sup>3</sup> See, also, *Gardner v. Lachlan*, 4 My. & Cr. 129; *Curtis v. Auber*, 1 J. & W. 506; *Preston v. Russell*, 71 Veran. 151.

<sup>4</sup> 35 Ch. D. 109; 36 Id. 348.

by the mortgage. So in *Tailby v. Official Receiver*,<sup>1</sup> an assignment of "all the book debts due or owing, or which may, during the continuance of this security, become due and owing to the said mortgagor," was held to carry the title to debts which had thereafter accrued due. In that case a manufacturer named Izon, in May, 1879, assigned to one Tyrrell, for a valuable consideration, his stock in trade and book debts; he (Izon) still continuing to carry on the business. Five years afterwards Izon sold on credit to Wilson & Co., a small bill of goods, amounting to something over ten pounds. A year later, the executors of Tyrrell (who had died) took possession of the mortgaged property and sold the book debts, Tailby becoming the purchaser of the debt due by Wilson & Co. Tailby gave notice of his title to Wilson & Co., and required them to make payment to him, which they accordingly did. Some time after the date of the notice, but before the payment, Izon was adjudged a bankrupt; and the Official Receiver, who was appointed his trustee, brought suit in the Queen's Bench to recover the sum which Tailby had received from Wilson & Co. It was ultimately held in the House of Lords that the trustee was not entitled to recover, the case being ruled upon the doctrine that the assignment from Izon to Tyrrell carried a *title* to the book debts. This case has been fully stated, as in it the doctrine in question was strikingly illustrated and most exhaustively discussed.<sup>2</sup>

It may be added that the present transfer of future property differs from the mere power to seize it;<sup>3</sup> and that the right of a mortgagee of future property is subject to the conditions under which it is acquired by the mortgagor.<sup>4</sup>

The doctrine that mortgages of personal property to be acquired in the future are valid in equity may be said to have be-

<sup>1</sup> 13 Appeal Cas. 523. See *Dunn v. Michigan Club*, 115 Mich. 409, for a similar case.

<sup>2</sup> The case went through many fluctuations. It was first heard before a county judge, who decided in the plaintiff's favor. The Queen's Bench Division reversed this decision; the Court of Appeal reversed the Division; and the House of Lords, finally, reversed the Court of Appeal.

The equity rule that a contract for the sale of chattels to be after-

wards acquired transfers the beneficial interest in such chattels to the vendee as soon as they are acquired by the vendor, is limited to the case of sales of specific articles which, on being acquired by the vendor, can be identified as the very things sold. *Block v. Shaw*, 78 Ark. 511.

<sup>3</sup> See *Reeve v. Whitmore*, 33 L. J. Ch. 63-66.

<sup>4</sup> *Cumberland Union Banking Co. v. Maryport Hematite Iron & Steel Co.* [1892], 1 Ch. D. 415.



come well established in America, and the authority of *Holroyd v. Marshall*, and the applicability of the principle upon which that decision was rested, have been expressly recognized. Thus in *McCaffrey v. Woodin*,<sup>1</sup> the lease of a farm gave the lessor a lien upon "personal property which may be put on said premises;" and it was held by the Court of Appeals of New York that while in law the title did not pass, at all events until after the lessor had exercised the license by actual seizure, yet in equity the beneficial interest was transferred without the intervention of any *new act*, and the equitable title attached immediately upon the coming into existence or the acquisition of the property. Similar decisions have been made in the Federal courts, and in those of many states.<sup>2</sup> Of the cases of assignments of future acquisitions, mortgages by railroad companies of rolling stock and other per-

<sup>1</sup> 65 N. Y. 459. See, also, *Central Trust Co. v. West Ind. Imp. Co.*, 169 N. Y. 314. But some New York cases would seem opposed to the doctrine of *Holroyd v. Marshall*. See *Deeley v. Dwight*, 132 N. Y. 59, and *Rochester Distilling Co. v. Rasey*, 142 Id. 570.

<sup>2</sup> *Butt v. Ellett*, 19 Wall. 544 (mortgage of future crops); *Brett v. Carter*, 2 Lowell's Dec. 458; *Burrill v. Whitcomb*, 100 Me. 286 (future stock of goods); *Mitchell v. Winslow*, 2 Story, 630; *Wyatt v. Watkins*, 4 Law & Eq. Reporter, 240 (mortgage of future crops); *Arques v. Wasson*, 51 Cal. 620 (future crops); *Richardson v. Washington et al.*, 88 Tex. 339 (future crops). See, also, *Bittenbender v. The Sunbury & Erie R. R. Co.*, 40 Pa. 269; *Collins's Appeal*, 107 Id. 590; *Caulfield v. Van Brunt*, 173 Id. 428; *Dutton's Estate*, 181 Id. 432; *Brown v. Dail*, 117 N. Car. 41; *Williams v. Chapman*, 118 N. Car. 943; *Walker v. Vaughn*, 33 Conn. 577; *Pennock v. Coe*, 23 How. 117; *Pulan v. C. & C. Air Line R. Co.*, 5 Biss. 248; *Smithurst v. Edmunds*, 14 N. J. Eq. 408; *Cumberland Nat. Bk. v. Baker*, 57 N. J. Eq. 231; *Groton Manuf. Co. v. Gardiner*, 11 R. I. 626;

*Galveston R. R. Co. v. Cowdrey*, 11 Wall. 459; *United States v. New Orleans R. R. Co.*, 12 Id. 362; *Tedford v. Wilson*, 3 Head, 311; *Phila., Wil. & Balt. R. R. Co. v. Woelpper*, 64 Pa. 366; *Phillips v. Winalow*, 18 B. Mon. 431; *Pierce v. Mil. & St. P. R. R. Co.*, 24 Wis. 551; *Barnard v. Nor. & Wor. R. R. Co.*, 14 N. B. R. 469; 3 Cent. L. R. 608; *Comer v. Lehman & Co.*, 87 Ala. 362; *Central Trust Co. v. Ohio Centr. R. Co.*, 36 Fed. Rep. 536, 537; *Jernegan v. Osborn*, 155 Mass. 207; *Fidelity Co. v. Sturtevant Co.*, 86 Miss. 509; *Flanagan Bank v. Graham*, 42 Or. 403; *Morton v. Williamson*, 72 Ark. 390. Some decisions in this country are, however, the other way, the principal of these being *Moody v. Wright*, 13 Met. 17; *Hutchinson v. Ford*, 9 Bush, 318; *Lamson v. Moffat*, 61 Wis. 153; *Blanchard v. Cooke*, 144 Mass. 207, and *New Lincoln Hotel Co. v. Shears*, 57 Neb. 478. The conveyance of "any invention which may hereafter be made by me" will not operate as an assignment. See *Regan Vapor Engine Co. v. Pacific Gas Engine Co.*, 7 U. S. App. 73.

sonal property are perhaps of the most practical importance. The validity of such mortgages is now thoroughly established.<sup>1</sup>

The doctrine under consideration is of very great practical importance. If the right of the assignee rises (as it is here conceived it does) to the dignity of a title to the specific property, it cannot be defeated by an assignee in bankruptcy (for example) who could not, therefore, successfully resist an action, or rather a bill in equity, to recover the specific goods. If the right of the assignee is a mere right to recover damages for the nonfulfilment of a contract to deliver goods, he would necessarily come in, *pari passu*, with other creditors of the insolvent vendor.

It has been decided, in some cases, that in order to create an equitable *title* or *estate* in the assignee, the property must be, in some way, specifically pointed out.<sup>2</sup> But under the strictly equitable doctrine—that is, the doctrine unhampered by any common-law considerations—such identification does not seem necessary. General words are enough.<sup>3</sup>

A covenant affecting lands thereafter to be acquired, if it specifies the land, and the property is afterwards acquired with an intent to satisfy the covenant, will operate in equity upon the lands so afterwards acquired.<sup>4</sup>

It is to be remembered that when it is claimed that after-acquired property is brought under the lien of an existing mortgage, there are certain limitations to which the alleged claim is subject. The chief qualification is that the mortgagee of after-acquired property is not a purchaser for value in the sense that he can acquire an interest by way of estate or lien greater than that which the mortgagor has himself. The lien of the mortgage attaches to after-acquired property in the condition in which the mortgagor takes it from his vendor and also subject to all known liens or equities valid against the vendee and mortgagor

<sup>1</sup> See Jones on Mortgages, §§ 152, 153, 154, and 452. Note, also, the case of *Ga. So. R. R. Co. v. Merc. Tr. & Dep. Co.*, 94 Ga. 306.

<sup>2</sup> *Belding v. Read*, 3 Hurl. & Cok. 961; *Coombe v. Carter*, 35 Ch. D. 109, 112, 115; *Morrill v. Noyes*, 56 Me. 465. See Benjamin on Sales, pp. 62-67.

<sup>3</sup> *Coombe v. Carter*, 35 Ch. D. 109;

36 Id. 348; *Tailby v. Official Receiver*, 13 App. Cas. 523; *Bacot v. Varnado*, 91 Miss. 825.

<sup>4</sup> *Metcalfe v. The Archbishop of York*, 1 M. & Cr. 547; *Lyde v. Mynn*, 4 Sim. 505; *Wellesley v. Wellesley*, 4 My. & C. 579; 2 Lead. Cas. Eq. 772. See, however, *Countess of Mornington v. Keane*, 2 De G. & J. 292.

which arose in the act of purchase or acquisition and, therefore, necessarily qualify its scope and extent.<sup>1</sup>

### 166. Exceptions to the general rule.

To the general equitable rule which favors transfers of things not in possession, there are, however, certain exceptions, just as we have seen that there are exceptions to the common-law rule forbidding such assignments.

Thus, in equity a mere litigious right, the transfer of which would simply tend to encourage litigation, and thus fall within the spirit of the rule against maintenance, will not be recognized.<sup>2</sup> Therefore a bare right to file a bill in chancery on the ground of fraud cannot be assigned even in equity.<sup>3</sup> Where, however, an assignment is made of subsisting property, an incidental right to sue for a fraud will pass by the assignment.<sup>4</sup>

So, too, equity will not recognize assignments of certain species of property which it would be against the policy of the law to allow the owners to part with. These are pensions given as rewards for extraordinary services, pay or half-pay in the army, the salaries of judges, claims against the United States,<sup>5</sup> and other revenues and emoluments of a kindred character, which

<sup>1</sup> See the language of Judge Taft in *Harris v. Youngtown Bridge Company*, 33 C. C. A. 74, citing *Penneck v. Coe*, 23 How. 117, and a number of other cases, concluding with *Irrigation Co. v. Garland*, 164 U. S. 1. See, also, *Venner v. Farmers' Loan and Trust Co.*, 33 C. C. A. 101, 102.

<sup>2</sup> See *Peck v. Heurick*, 167 U. S. 624.

<sup>3</sup> *De Hoghton v. Money*, L. R. 2 Ch. 169; *Prosser v. Edmunds*, 1 Y. & C. Exch. R. 481; *Milwaukee and Minnesota R. Co. v. The Milwaukee and Western R. Co.*, 20 Wis. 183; *Gardner v. Adams*, 12 Wend. 297; *Marshall v. Means*, 12 Ga. 61. See, also, *Wilhite v. Roberts*, 4 Dana, 172; *Slade v. Rhodes*, 2 Dev. & Bat. Eq. 24; *Smith v. Thompson*, 94 Mich. 381; *Jones v. Babcock*, 15 Mo. App. 149; *Wilson v. St. Louis & W. Ry. Co.*, 120 Mo. 45; *Dunklin v. Wilkins*, 5 Ala. 199; *In re Paris Skating Rink*

*Co.*, 5 Ch. D. 959; *Gruber v. Baker*, 20 Nev. 453; *Staude v. Tscharnier*, 187 Ill. 19. The lien of a vendor for purchase-money was held not to be assignable in *Richards v. Leaming*, 27 Ill. 431; *Keith v. Horner*, 32 Id. 524; *Elder v. Jones*, 85 Id. 384; *McKee v. Judd*, 2 Kernan, 622. Such an assignment will be set aside. *Arden v. Patterson*, 5 Johns. Ch. 44. But see *Davis v. Smith*, 88 Ala. 596; *Annis v. Butterfield*, 99 Me. 181.

<sup>4</sup> *Emmons v. Barton*, 109 Cal. 662; *Gandy v. Fortner*, 119 Ala. 303; *Hasettine v. Smith*, 154 Mo. 404; *Wimpfheimer v. Perrine*, 61 N. J. Eq. 126; *Hicks v. Steel*, 126 Mich. 408; *National Valley Bank v. Hancock*, 100 Va. 101.

<sup>5</sup> *Wood's Executors v. Dialogue*, 15 Phila. 160; *St. Paul & D. R. Co. v. U. S.*, 112 U. S. 733. An assignment by a public officer of his salary or fees before they are due impairs the

reasons of state require should remain always for the benefit of the person to whom they were originally given.<sup>1</sup>

Upon analogous principles, assignment by an executor of his commissions before the same are ascertained in the manner prescribed by law, or of alimony to be allowed and paid in the future, have been held to be contrary to public policy.<sup>2</sup>

A purely personal trade-mark is not assignable;<sup>3</sup> and the mere name of an individual is not assignable, as to sustain such a sale would be to practice a fraud upon the public. This conclusion was reached in England and in New York some years ago; and has recently been adopted and applied in Massachusetts, Pennsylvania and elsewhere.<sup>4</sup> A contract assigning "any invention" which the assignor "may hereafter make" in certain articles of manufacture, will not operate to pass the invention when made.<sup>5</sup> A publishing agreement between an author and publisher is purely personal. It cannot be assigned by the publisher without the author's consent.<sup>6</sup>

It has been held, moreover, that the right of action for a mere personal tort cannot be assigned;<sup>7</sup> but a right to recover damages for an injury to *property* may undoubtedly be assigned.<sup>8</sup>

efficiency of the public service and is void. *Granger v. French*, 152 Mich. 356.

<sup>1</sup> *Stone v. Lidderdale*, 2 Anst. 533; *Elwyn's Appeal*, 67 Pa. 369; *State v. Williamson*, 118 Mo. 146; *Nat. Bank of El Paso v. Fink*, 86 Tex. 303; *First Nat. Bank v. State*, 68 Neb. 482; *Emerson v. Hall*, 13 Pet. 409; *Arbuthnot v. Norton*, 5 Moore, P. C. C. 219; though see *State Bank v. Hastings*, 15 Wis. 75, and *Meriweather's Adm'r v. Herran*, 8 B. Mon. 162; *Collyer v. Fallon*, 1 Turn. & Russ. 459; *L'Estrange v. L'Estrange*, 1 Eng. L. & Eq. 153; *Predy v. Rose*, 3 Meriv. 102; *Tunstall v. Boothby*, 10 Sim. 542; *Flarty v. Odum*, 3 T. R. 681; *Lidderdale v. Montrose*, 4 Id. 248; *Cooper v. Reilly*, 2 Sim. 560; *Holt v. Thurman*, 111 Ky. 84; *Perry on Trusts*, § 69, notes 3 and 4; *King v. Hawkins*, 2 Ariz. 358. The assignment of the unearned part of his salary by a public officer is against

public policy and void. *McGowan v. City*, 118 La. 429.

<sup>2</sup> *In re Worthington*, 141 N. Y. 9; *Lynde v. Lynde*, 64 N. J. Eq. 736.

<sup>3</sup> *Kerr on Injunctions*, 479.

<sup>4</sup> See *Hughes v. Statham*, 4 Barn. & Cress. 187; *Messer v. The Fadettes*, 168 Mass. 140; *Hegeman v. Hegeman*, 8 Daly (N. Y.), 1; *Blakely v. Sousa*, 197 Pa. 305; *Skinner v. Oakes*, 10 Mo. App. 45.

<sup>5</sup> *Regan Vapor Engine Co. v. Pacific Gas Engine Co.*, 7 U. S. App. 73.

<sup>6</sup> *Griffith v. Tower Pub. Co., Ltd.* [1897], 1 Ch. 21.

<sup>7</sup> *The People v. Tioga*, 19 Wend. 73. See, also, *Morris v. McCulloch*, 83 Pa. 34; *Vermont v. C. & N. W. R. Co.*, 64 Ia. 513; but see *Dean v. Chandler*, 44 Mo. App. 338; *Boogren v. St. Paul Ry. Co.*, 97 Minn. 51. Before judgment, *Weller v. Jersey City Ry. Co.*, 68 N. J. Eq. 659.

<sup>8</sup> *North v. Turner*, 9 S. & R. 244; *Butler v. The Railroad*, 22 Barb. 110;

It was said in *Mandeville v. Welch*,<sup>1</sup> that an order drawn on a fund for only a part thereof, does not amount to an assignment of that part, for the reason that a creditor shall not be permitted to split up a single cause of action into many actions without the assent of his debtor. In other words, the rule was laid down that a part only of a *chose in action* cannot be assigned, but that if there is any transfer there must be a transfer of the whole. But this was in a common-law action;<sup>2</sup> and although the rule has been approved in several cases, it cannot be considered sound as a doctrine of equity.<sup>3</sup>

It has been decided in many cases in this country that land held adversely cannot be assigned; and it has been further held that as such assignments are considered void on the ground of public policy, they ought not to be enforced in equity.<sup>4</sup> In other states, however, the rule which forbids such assignments does not prevail.<sup>5</sup> An assignment of wages to "become due," when no employment exists at the time, is void;<sup>6</sup> but where there is an existing employment, it is otherwise.<sup>7</sup>

*Missouri Pac. Ry. Co. v. Cullers*, 81 Tex. 382. See *Metropolitan Ins. Co. v. Fuller*, 61 Conn. 252; *Chouteau v. Boughton*, 100 Mo. 406.

<sup>1</sup> 5 Wheat. 288.

<sup>2</sup> See *Dean v. St. Paul & Duluth R. R. Co.*, 53 Minn. 504, and *Hopkins v. Washington County*, 56 Neb. 696.

<sup>3</sup> See *Exchange Bank v. McLoon*, 73 Me. 498; *Caldwell v. Hartuppee*, 70 Pa. 74, 79; *Appeals of the City of Philadelphia*, 86 Id. 179; *Field v. The Mayor of New York*, 2 Seld. 179; *Risley v. Phenix Bank*, 83 N. Y. 318; *Chambers v. Lancaster*, 160 Id. 342; *James v. Newton*, 142 Mass. 366; *McDaniel v. Maxwell*, 21 Or. 202; *Kingsbury v. Burrill*, 151 Mass. 199; *McConaughy v. Bennett's Ex'rs*, 50 W. Va. 172; *Harris County v. Campbell*, 68 Tex. 22; *Avery v. Popper & Bro.*, 92 Tex. 337; *Carter v. Nichols*, 58 Vt. 553; *Peugh v. Porter*, 112 U. S. 737; *Line v. McCall*, 126 Mich. 497; *Warren v. First Nat. Bank*, 149 Ill. 9; *Smith v. Bates Machine Co.*, 182 Id. 166; *Fourth St. Bank v. Yardley*,

165 U. S. 644; *Hipwell v. Surety Co.*, 130 Ia. 656. See, however, *Chicago R. Co. v. Nichols*, 57 Ill. 467; *Chicago, B. & Q. R. R. Co. v. Provolt*, 42 Colo. 103; *Jermyn v. Moffitt*, 75 Pa. 399; *Wamsley v. Ward*, 61 W. Va. 65; *Tyler v. Tuel*, 6 Cranch, 324; *Johnson County v. Bryson*, 27 Mo. App. 341; *Bosworth v. Jacksonville Nat. Bank*, 24 U. S. App. 413 (where *Mandeville v. Welch* was applied). In *Rivers v. Wright & Co.*, 117 Ga. 81, it was held that all the assignees must be made parties.

<sup>4</sup> *Hoppiss v. Eskridge*, 2 Ired. Eq. 54.

<sup>5</sup> See note to *Ryall v. Rowles*, 339; *Edwards v. Parkhurst*, 21 Vt. 472.

<sup>6</sup> *Lehigh Valley R. Co. v. Woodring*, 116 Pa. 513; *Kennedy v. Tiernay*, 14 R. I. 528. In Maine an assignment of wages to be valid against any other person than the parties thereto must be recorded. R. S. 1903, c. 113, § 6; *Whitecomb v. City*, 99 Me. 75.

<sup>7</sup> *Tiernay v. McGarity*, 14 R. I. 231; *Mallin v. Wenham*, 209 Ill. 252;

### 167. Requisites to an equitable assignment.

No particular form of words is necessary in order to make a valid assignment of a *chose in action*.<sup>1</sup> Nor is any written instrument required, for it is sufficient if there is a verbal declaration whereby the intention to part with the ownership of the *chose* is properly manifested.<sup>2</sup> Thus, if A, is a creditor of B, and wishes to transfer the debt to C, an order, verbal or written, from A, directing B to pay the amount due to C, will be a good equitable assignment.<sup>3</sup>

So, also, where the owner of goods, then in the hands of his agent, promised a creditor by letter that he would direct the agent to deliver the goods to the creditor, and did subsequently give such a direction, it was held that this operated as an equitable assignment.<sup>4</sup> So, likewise, a parol agreement to transfer stock as collateral security, followed by the execution of a letter of attorney to transfer the same, has been held to amount to an assignment of the stock in equity.<sup>5</sup>

An order payable out of a particular fund may operate as an assignment of the fund;<sup>6</sup> either in whole or in part;<sup>7</sup> and so,

*Citizens' Loan Co. v. Boston R. R. Co.*, 196 Mass. 528; *Colorado Fuel Co. v. Kidwell*, 20 Colo. App. 8; *Peterson v. Ball*, 121 Ia. 544; *Leitch v. Northern Pacific Ry. Co.*, 95 Minn. 35. An assignment of wages to be earned in the future under an existing employment is valid. *Rodijkheit v. Andrews*, 74 Ohio St. 104.

<sup>1</sup> *Row v. Dawson*, *supra*; *Ex parte Alderson*, 1 Mad. 53; *Ex parte South*, 3 Swanst. 392; *Thompson v. Speirs*, 13 Sim. 469; *East Lewisburg L. & M. Co. v. Marsh*, 91 Pa. 100; *Gurnell v. Gardner*, 4 Giff. 626; *Buck v. Swasey*, 36 Me. 41; *Conway v. Cutting*, 51 N. H. 407; *Tingle v. Fisher*, 20 W. Va. 497.

<sup>2</sup> *Gurnell v. Gardner*, 9 Jur. (N. S.) 1226; *Ford v. Stuart*, 19 Johns. 342; *Thompson v. Emery*, 7 Foster, 269; *Johnson County v. Bryson*, 27 Mo.

App. 341; *McIntyre v. Hauser*, 131 Cal. 11; *Weaver v. Atlantic Roofing Co.*, 57 N. J. Eq. 547.

<sup>3</sup> *Yeates v. Groves*, 1 Ves. Jr. 281; *Caldwell v. Hartupee*, 70 Pa. 74.

<sup>4</sup> *Burn v. Carvalho*, 4 My. & Cr. 690. See, also, *Langton v. Waring*, 18 Com. B. (N. S.) 314; *Ex parte Montague*, 1 Ch. D. 554; *Cabada v. De Jongh*, 1 W. N. C. 342; *Kenneweg v. Schilansky*, 45 W. Va. 521; consult *Clemson v. Davidson*, 5 Binn. 398.

<sup>5</sup> *Lightner's Appeal*, 82 Pa. 301; *Taft v. Bowker*, 132 Mass. 277, case of savings-bank book.

<sup>6</sup> *East Lewisburg L. & M. Co. v. Marsh*, 91 Pa. 96; *Ex parte Butt*, 4 Ch. D. 419; *Clark v. Muran*, 3 Paige Ch. 373; *McLellan v. Walker*, 26 Me. 114; *Cutts v. Perkins*, 12 Mass. 206; *Morton v. Naylor*, 2 Hill, 585; *Phillips v. Stagg*, 2 Edwards, 108; *Luff v.*

<sup>7</sup> *Gillette v. Murphy*, 7 Okla. 91; *Dowling v. Seattle*, 22 Wash. 592. The order must be unconditional.

*Commercial Nat. Bank v. Portland*, 37 Ore. 33. See, also, *Seymour v. Aultman Co.*, 109 Iowa, 297.

also, will a cheque for the entire deposit of the drawer, if it was intended to have that effect;<sup>1</sup> but the better opinion would seem to be that a mere *promise* to pay out of a fund will not.<sup>2</sup> The first branch of this proposition seems to be well supported by authority,<sup>3</sup> but as to the latter there has been some fluctuation of opinion, although the more recent decisions in the United States decidedly support it. As long ago as 1744 it was decided in Bradley's case<sup>4</sup> that a promise to pay a debt out of a sum due by a third person does not create a specific lien upon such sum, Lord Hardwicke refusing a prayer for an injunction to stay the money in the debtor's hands and saying that "he would not lay such embargoes upon persons to prevent their paying their debts." But in *Rodick v. Gandell*<sup>5</sup> there is a dictum by Lord Truro to the effect that a *promise* to pay out of a particular fund would operate as an assignment, and this was followed by a decision of Vice-Chancellor Wood,<sup>6</sup> and the tendency of the English decisions would, therefore, seem to be in favor of holding a promise to operate as an assignment. In the United States, however, the weight of authority is, perhaps, the other way. The authorities were reviewed in *Ex parte Tremont Nail Company*,<sup>7</sup> and a conclusion adverse to the decision in *Riccard v. Prichard* reached;<sup>8</sup> but in *Clark v. Sigua Iron Co.*,<sup>9</sup> Moeser, Admtr., v.

Pope, 5 Hill, 413; Nesmith v. Drum, 8 W. & S. 9; Ferran's Estate, 1 Asm. 319; Caldwell v. Hartuppee, 70 Pa. 74; Phcenix Iron Co. v. Philadelphia, 2 W. N. C. 596; Cabada v. De Jongh, 1 Id. 342; Slobodisky v. Curtis, 58 Neb. 211; Pollard v. Pollard, 68 N. H. 356; Leupold v. Weeks, 96 Md. 280.

<sup>1</sup> Taylor's Estate, Ruffell's Appeal, 154 Pa. 183.

<sup>2</sup> Rogers v. Hosack, 18 Wend. 319; *Ex parte Tremont Nail Co.*, 16 Nat. Bank Reg. 460.

<sup>3</sup> See *Diplock v. Hammond*, 2 Sm. & G. 141; 5 De G., M. & G. 320; Gurnell v. Gardner, 4 Giff. 626; Hunt v. Mortimer, 10 B. & C. 44; *Ex parte Carlon*, 4 Dea. & Chitty, 120; Bank of United States v. Huth, 4 B. Mon. 423; Newby v. Hill, 2 Met. (Ky.) 530;

*Richardson v. Rust*, 9 Paige Ch. 243; *Patten v. Wilson*, 34 Pa. 299; *Chase v. Petroleum Bank*, 66 Id. 169; *Larabee v. Hascall*, 88 Me. 511.

<sup>4</sup> *Ridgeway*, 194.

<sup>5</sup> 1 De G., M. & G. 763.

<sup>6</sup> *Riccard v. Prichard*, 1 K. & J. 277. See, also, *Field v. Magaw*, L. R. 4 C. P. 660; *Thompson v. Simpson*, L. R. 5 Ch. 659.

<sup>7</sup> 16 Nat. Bank Reg. 451.

<sup>8</sup> See, also, *Hoyt v. Story*, 3 Barb. 262; *Geist's Appeal*, 104 Pa. 355; *Christmas v. Russell*, 14 Wall. 69; *Trist v. Child*, 21 Id. 441; *Thomas v. N. Y. & Greenwood Lake Ry. Co.*, 139 N. Y. 163; *Christmas v. Griswold*, 8 Ohio St. 558; *Connely v. Harrison*, 16 La. Ann. 41; *Eib v. Martin*, 5 Leigh, 132; *Ford v. Garner*, 15 Ind. 298; *Pearce v. Roberts*, 27 Mo. 179;

Schneider,<sup>1</sup> and *Harlow v. Bangor*,<sup>2</sup> the promises to pay were, under the circumstances, held equivalent to assignments.

A simple draft, not identifying any particular debt or fund, will not be an assignment;<sup>3</sup> and a cheque against a general account will not, alone, operate as an assignment.<sup>4</sup> But while an equitable assignment or lien will not arise against a deposit account solely by reason of a cheque drawn against the same, yet the authorities establish that if in the transaction connected with the delivery of the cheque it was the understanding and agreement of the parties that an advance about to be made should be a charge on and satisfied out of a specified fund, a court of equity will lend its aid to carry such agreement into effect as against the drawer of the cheque, mere volunteers, and parties charged with notice.<sup>5</sup>

*Benford v. Sanner*, 40 Pa. 9; *Lamon v. McKee*, 18 Dist. Col. 446, 462; *Lanigan v. Bradley Co.*, 50 N. J. Eq. 201; *American Pin Co. v. Wright*, 60 N. J. Eq. 147; *Fairbanks v. Welshaus*, 55 Neb. 362; *Hossack v. Graham*, 20 Wash. 184; *Hanchey v. Hurley*, 129 Ala. 306; *Cameron v. Boeger*, 200 Ill. 84; *Phillips v. Hogue*, 63 Neb. 192; *Weiss v. Gullett*, 18 Colo. App. 122. See, however, *Greenfield's Estate*, 24 Pa. 322.

<sup>1</sup> 158 Pa. 412.

<sup>2</sup> 96 Me. 294.

<sup>3</sup> *Farmers' and Mechanics' Ins. Co. v. Simmons*, 30 Pa. 299; *Bank of Mount Joy v. Gish*, 72 Id. 13. See, also, *Jermyn v. Moffitt*, 75 Id. 399; *Hopkins v. Beebe*, 26 Id. 85; *Loyd v. McCaffrey*, 46 Id. 410; *Com. ex rel. Att.-Gen. v. American Life Ins. Co.*, 162 Pa. 586; *Laclede Bank v. Schuler*, 120 U. S. 514; *Baer v. English*, 84 Ga. 403; *Erickson v. Inman*, 34 Ore. 44.

<sup>4</sup> *Hopkinson v. Forster*, L. R. 19 Eq. 74; *Citizens' Bank v. First Nat. Bk.*, L. R. 6 H. L. 352; *Akin v. Jones*, 93 Tenn. 353; *Henderson & Co. v. United States Nat. Bank*, 59 Neb. 280; *Perry v. Bank*, 131 N. C. 117; *Pullen v. Placer Co. Bk.*, 138 Cal. 169.

As to its effect between the parties, see *Hulings v. Hulings Lumber Co.*, 38 W. Va. 351; *Love v. Ardmore Stock Exchange*, 5 Ind. Ter. 202; *contra*, *Kuhnes v. Cahill*, 128 Ia. 594; *Clark v. Bank*, 72 Kan. 1.

The giving of a check on a bank in the ordinary form does not constitute an equitable assignment *pro tanto* of an indebtedness owing by the bank to the drawer, nor does the fact that the check was presented, where it was not paid nor accepted, entitle the holder to priority of payment, on the drawer's subsequent insolvency, from a fund due from the bank or collected by a receiver. *Eastern Milling Co. v. Eastern Export Co.*, 146 Fed. Rep. 761.

<sup>5</sup> *Fourth Street Bank v. Yardley*, 165 U. S. 644. See, also, *Coates v. First Nat. Bank of Emporia*, 91 N. Y. 26; *Throop Grain Cleaner Co. v. Smith*, 110 Id. 83; *First Nat. Bank v. Clark*, 134 Id. 368; *First Nat. Bank v. Dubuque, etc., Ry.*, 52 Iowa, 378; *Harrison v. Wright*, 100 Ind. 515; *Shand v. Du Buisson*, L. R. 18 Eq. 283. The mere giving of a check on an ordinary deposit account in a bank, in the usual course of business, in payment of a past indebtedness,



And so a mere direction to an agent to collect money and hand it over to a third party, will not amount to an assignment. Thus a railway contractor, being indebted to his bankers, wrote to the solicitors of the company authorizing them to receive the money due to him from the company, and pay it over to his bankers—and the solicitors then wrote to the bankers promising to pay them the money when raised; but it was held that this did not operate as an equitable assignment.<sup>1</sup> The difference between an order which will, and one which will not operate as an assignment, appears to be this: If the order is such as to create a mere agency in the party to whom it is given to transfer the *chose* on behalf of the principal, then, like every other power of attorney, it will be revocable at pleasure, and can confer no title upon the third party until the transfer is actually made. But where the order purports to pass a present interest in the *chose* to the alleged transferee, then, no matter what form the transaction may assume, it will be treated in equity as a valid assignment.<sup>2</sup> Moreover, the mere delivery of the written evidence of the debt may, under certain circumstances, operate as a valid equitable assignment.<sup>3</sup> It was accordingly held, in a recent case in Massachusetts, that the delivery of a policy of insurance, for a valuable consideration, with the intent to vest title in the assignee, operated as a valid transfer; and that the failure to obtain the insurance company's consent to the assignment, although it might defeat the claim on the policy against the company, did not defeat the transfer.<sup>4</sup>

does not amount to an equitable assignment, even though the drawer makes a deposit expressly to cover the check; and a garnishment of the bank, after other deposits have been made and checks given, but before such check has been presented, creates a lien on the deposit superior to the rights of the payee. *Poland v. Love*, 164 Fed. Rep. 186.

<sup>1</sup> *Rodick v. Gandell*, 1 De G., M. & G. 763. See, also, *Burger v. Burger*, 135 Pa. 499; *Nebraska Moline, etc., Co. v. Fuehring*, 60 Neb. 316.

<sup>2</sup> See *Hunt v. Rousmanier's Adm'rs*, 8 Wheat. 174; 1 Am. Lead. Cas. 676; *Smith v. Bates Machine Co.*, 182 Ill.

166; *Beers v. Spooner*, 9 Leigh, 153; *Tiernan v. Jackson*, 5 Pet. 580; *Watson v. Bagaley*, 12 Pa. 164; *Beans v. Bullitt*, 57 Id. 221; *Insurance Co. of Pennsylvania v. Phoenix Ins. Co.*, 71 Id. 34; *Keys's Estate*, 137 Id. 565; *Wright v. Ellison*, 1 Wall. 22; notes to *Ryall v. Rowles*, 2 Lead. Cas. Eq. 777.

<sup>3</sup> *Mowry v. Todd*, 12 Mass. 281; *Runyan v. Mersereau*, 11 Johns. 534; *Jenkins v. Wilkinson*, 113 N. Car. 532; note to *Row v. Dawson*, 358.

<sup>4</sup> *Hewins v. Baker*, 161 Mass. 320. See, also, *Higgins v. Lansingh, Adm'tr*, 154 Ill. 301, a case of a certificate of stock.

**168. When notice of assignment necessary ; to whom given.**

In order to complete the assignment as against the assignor, the assignee need not give notice thereof to the person who owes the debt, or has the custody of the fund which is intended to be assigned.<sup>1</sup> Thus, where a letter was written in this language: "We hold at your disposal the sum of £425, due from Messrs. C. & Co., for goods delivered by us to them," it was held that this operated as an assignment of the debt as against the assignor and as against the official liquidator in bankruptcy proceedings, although no notice had been given by the assignee to C. & Co.<sup>2</sup>

And this is also so as against the creditors of the assignor,<sup>3</sup> or mere volunteers.<sup>4</sup>

But as against subsequent assignees for value, the assignee first in point of time must give notice to the debtor, otherwise he will be liable to be postponed to a second or third assignee, who has given notice. Between different assignees, the one who first gives notice to the debtor will, as a general rule, have the prior right.<sup>5</sup> This is only in obedience to the general principle,

<sup>1</sup> *Donaldson v. Donaldson*, Kay, 711; *Way's Trusts*, 2 De G., J. & Sm. 365; *Rodick v. Gandell*, 1 De G., M. & G. 780; *Gurnell v. Gardner*, 4 Giff. 626; *Burn v. Carvalho*, 4 My. & Cr. 690; *Jackson v. Hamm*, 14 Colo. 58; *Board of Education v. Duparquet*, 50 N. J. Eq. 234-242; *Pollard v. Pollard*, 68 N. H. 356.

<sup>2</sup> *Gorrings v. Irwell India Rubber Works*, 34 Ch. D. 128.

<sup>3</sup> *Beavan v. Lord Oxford*, 6 De G., M. & G. 492; *Eyre v. McDowell*, 9 H. L. Cas. 628, 652; *Scott v. Lord Hastings*, 4 K. & J. 633; *Pickering v. The Ilfracombe Railway Co.*, L. R. 3 C. P. 235; *Crow v. Robinson*, Id. 264; *The People v. Elmore*, 35 Cal. 653; *Kortright v. Buffalo*, 20 Wend. 91; 22 Id. 348; *McNeil v. The Tenth Nat. Bank*, 46 N. Y. 328; *Grymes v. Hone*, 49 Id. 17, 22; *The Mt. Holly Co. v. Ferree*, 17 N. J. Eq. 117; *United States v. Vaughan*, 3 Bin. 394; *Pellman v. Hart*, 1 Pa. 263; *Marsh v. Garney*, 69 N. H. 236; *Pollard v. Pollard*, 68

N. H. 356; *Walton v. Horkan*, 112 Ga. 814. See *Pinkerton v. Manch. & Lawr. R. Co.*, 42 N. H. 424, and *Comm. v. Watmough*, 6 Whart. 117, as to the steps necessary to complete the transfer of a *chose in action*, as against the creditors of the assignor. These authorities are in conflict. In New Hampshire, by statute, acceptance of an order must be in writing. *Berlin Mills Co. v. Poole*, 62 N. H. 439. See, also, *Elliott's Ex'rs App.*, 50 Pa. 75; *post*, *Fraud on Creditors*.

<sup>4</sup> *Justice v. Wynne*, 12 Ir. Ch. R. 289; *Comm. v. Crompton*, 137 Pa. 138; *Phillips's Estate* (No. 4), 205 Pa. 525. Note in this case a curious result which followed the application of the doctrine.

<sup>5</sup> *Methfessel's Ex't'r v. Atlantic Trust Co.*, 35 U. S. App. 67; *Phillips's Est.*, 205 Pa. 525, citing the text; *Trexler v. Kuntz*, 36 Pa. Sup. 352. See, also, *Eng. Scot. Mer. Trust v. Brunton* [1892], 2 Q. B. 1; *aff'd Id.*

which requires that all transfers of property must be rendered as complete as the nature of the transaction will permit, in order to make them valid as against subsequent *bona fide* purchasers, for valuable consideration, without notice.

Thus in the case of personal chattels, possession must be taken. And so in the case of *choses in action*, that which is equivalent to possession, viz., notice to the debtor, must exist, as a general rule,<sup>1</sup> in order to give the assignee a perfect title. In other words, the assignee must do everything to assert the ownership which the nature of the subject-matter of the contract will allow.<sup>2</sup>

But the assignee is not required to do *more* than is reasonably necessary.<sup>3</sup>

The assignee of a debt is not bound to give notice to the assignor if it is not paid. The rule which exists as to promissory notes, in such cases, does not apply.<sup>4</sup>

The party to whom notice of an assignment should be given is he who has the legal title, or who owes the money. Thus, if personalty vested in trustees is assigned, notice should be given to the trustees;<sup>5</sup> if a debt, to the debtor; if stock in a public

700; *Donnelly v. Johnes*, 58 N. J. Eq. 442; *Lumber Co. v. Newcomb*, 79 Miss. 462.

<sup>1</sup> For an exceptional case see *In re Richards*, 45 Ch. D. 595. See, also, *Moore v. North Western Bank* [1891], 2 Ch. 599, and the remarks of Lord Selbourne, in *Société Générale de Paris v. Walker*, 11 App. Cas. 30, as to transfers of shares.

<sup>2</sup> See *ante*, § 66. See, also, *Milroy v. Lord*, 4 De G., F. & J. 264; *Warriener v. Rogers*, 28 Law Times Rep. (N. S.) 863; *Ryall v. Rowles*, 1 Ves. Sr. 348; *Dearle v. Hall*, *Loveridge v. Cooper*, 3 Rus. 1; *Brittin v. Partridge* [1899], 1 Ch. 163; *Spain v. Hamilton's Adm'r*, 1 Wall. 624; *Martin v. Sedgwick*, 9 Beav. 333; *Buller v. Plunkett*, 1 John. & H. 441; *In re Barr's Trusts*, 4 K. & J. 219; *Ex parte Caldwell*, L. R. 13 Eq. 188; 2 Lead. Cas. Eq. 1661, 1665 *et seq.*

In the case of stock, "the better opinion would seem to be that a

purchaser who perfects his right by obtaining a transfer on the books of a corporation will be preferred to a prior purchaser who has been less diligent or fortunate." Note to *Ryall v. Rowles*, 2 Lead. Cas. Eq. 1665 (4th Am. ed.); *The New York & New Haven R. R. Co. v. Schuyler*, 34 N. Y. 30; *The People v. Elmore*, 35 Cal. 653; *The Bank of Commerce's Appeal*, 73 Pa. 59; *Sabin v. The Bank of Woodstock*, 21 Vt. 353; *Shipman v. The Aetna Ins. Co.*, 29 Conn. 245; *Colt v. Ives*, 31 Id. 55; *Pinkerton v. The Manchester & Lawrence R. R. Co.*, 42 N. H. 424. See, however, *Mount Holly Co. v. Ferree*, 17 N. J. Eq. 117.

<sup>3</sup> *Feltham v. Clark*, 1 De G., & Sm. 307.

<sup>4</sup> *Glyn v. Hood*, 1 De G., F. & J. 334.

<sup>5</sup> *Stephens v. Green* [1895], 2 Ch. 148; *In re Phillips's Trusts* [1903], 1 Ch. 183.

company, to the company; if a future cargo of a ship, to the master.<sup>1</sup> If the fund to be assigned is in court, according to the English practice a stop order should be obtained.<sup>2</sup> Notice to one of several trustees or joint debtors is in general notice to all; and notice may be by parol.<sup>3</sup>

### 169. Authorities in United States on this subject conflicting.

The rule that in order to protect the title of an equitable assignee as against a subsequent assignee, notice of the assignment should be given, is one that is based upon sound principle, and would seem, for many obvious reasons, to commend itself for adoption.<sup>4</sup> It has accordingly been followed in many decisions in the United States.<sup>5</sup> But in quite a number of cases a different doctrine has been held, and it is therefore impossible to say that any general rule upon the subject exists in this country.<sup>6</sup> The decisions in favor of the English rule, however, appear to be based upon the more correct view of the law on the question.<sup>7</sup>

The assignment of a *chose in action* cannot be enforced by a mere volunteer, unless the transaction has so far progressed as to have assumed the nature of a voluntary trust, the incidents of which have already been discussed.<sup>8</sup>

If there is a mere executory agreement to assign, that agreement, like any other, must be supported by a consideration;<sup>9</sup> but if a consideration exists, a covenant to assign will operate as an assignment.<sup>10</sup>

<sup>1</sup> See note to *Ryall v. Rowles*, 2 Lead. Cas. Eq. 1665 (4th Am. ed.).

<sup>2</sup> Id. 1591.

<sup>3</sup> Id. 1588.

<sup>4</sup> *Jack v. National Bank*, 17 Okla. 430.

<sup>5</sup> *Vanbuskirk v. The Hartford Ins. Co.*, 14 Conn. 145; *Campbell v. Day*, 16 Vt. 558; *Loomis v. Loomis*, 26 Id. 198; *Clodfelter v. Cox*, 1 Sneed, 330; *McWilliams v. Webb*, 32 Ia. 577; *Murdoch v. Finney*, 21 Mo. 138; *Woodbridge v. Perkins*, 3 Day, 364; *Niles v. Mathusa*, 162 N. Y. 546; *Central Trust Co. v. West India Imp. Co.*, 169 N. Y. 314.

<sup>6</sup> See American note to *Ryall v. Rowles*, 2 Lead. Cas. Eq. 1605; *Fortunato v. Patten*, 147 N. Y. 277; *Meier v. Hess*, 23 Oreg. 599.

<sup>7</sup> This statement of the law was approved in *Phillips's Estate*, 205 Pa. 525.

<sup>8</sup> See *Lennig's Estate*, 182 Pa. 495.

<sup>9</sup> Notes to *Ryall v. Dawson*. See *Kennedy v. Ware*, 1 Pa. 450, where Chief Justice Gibson seemed to think that all assignments were in their nature executory, and should be supported by a consideration.

<sup>10</sup> *Townshend v. Windham*, 2 Ves. Sr. 6.

**170. Effect of equitable assignments; as to original parties.**

The effect of these equitable assignments is next to be noticed.

And first, it must be remarked that the assignee will take the chose subject to all the equities between the original parties. Thus if the debtor has any defence or set-off which, at the time of the assignment, would be good as against the assignor, the same defence can be taken, or the same set-off made use of as against the assignee.<sup>1</sup> Moreover, it is obvious that the assignment of anything that is coming to one party to a contract, is necessarily subject to the conditions of that contract, and to the rights of the other party thereto, whatever they may be.<sup>2</sup> But new equities arising or defences accruing *after* the assignment, are excluded;<sup>3</sup> and, moreover, the debtor may, by his conduct, estop himself from taking advantage of such a defence or set-off, if he actively misleads the assignee as to its existence, or improperly remains silent when fair dealing would command him to speak.<sup>4</sup>

Another case in which the assignee will not take subject to equities is that of negotiable paper; but this is not so much an exception to the general rule, as a particular custom, growing out of the law merchant in the case of bills of exchange, and extended to promissory notes by the Statute of 3 and 4 Anne.

The assignee cannot be affected by collateral transactions, secret trusts, or acts unconnected with the subject of the contract.<sup>5</sup> His title, however, is subject to the assertion of any right or title which is paramount to the title of his assignor; as (for

<sup>1</sup> *Turton v. Benson*, 1 P. Wms. 497; *In re Natal Investment Co.*, L. R. 3 Ch. 355; *Bebee v. The Bank of New York*, 1 Johns. 529; *Kamena v. Huelbig*, 23 N. J. Eq. 78; *Magie v. Reynolds*, 51 N. J. Eq. 113; *Jeffries v. Evans*, 6 B. Mon. 119; *The Bank v. Fordyce*, 9 Pa. 275; *Andrews v. McCoy*, 8 Ala. 920; *Ragsdale v. Hagy*, 9 Gratt. 409; *Barney v. Grover*, 28 Vt. 391; *Lewis v. Holdredge*, 56 Neb. 379; American note to *Ryall v. Rowles*, 2 Lead. Cas. Eq. 1671; 1 *Parsons on Contracts*, 227; *McCaikill v. Sav. Bank*, 60 Conn. 300; *Klatt v. Dumert*, 70 Minn. 467.

<sup>2</sup> *Tooth v. Hallett*, L. R. 4 Ch. 245.

<sup>3</sup> *Merchants' Bank v. Weill*, 163

N. Y. 486; *Bishop v. Chase*, 156 Mo. 153.

<sup>4</sup> *In re Agra and Mastermans' Bank*, L. R. 2 Ch. 391; *In re General Estates Company*, L. R. 3 Id. 758; *Jones v. Hardesty*, 10 G. & J. 404; *Decker v. Eisenbauer*, 1 P. & W. 476; *Sargeant v. Sargeant*, 18 Vt. 371; *Middletown Bank v. Jerome*, 18 Conn. 443; *Watson's Ex'rs v. McLaren*, 19 Wend. 557; and see *post*, Part II., Chap. III., Estoppel.

<sup>5</sup> *Davis v. Barr*, 9 S. & R. 137; *Beckley v. Eckert*, 3 Pa. 292; *Mott v. Clark*, 9 Id. 399; *Taylor v. Gitt*, 10 Id. 423; *Corson v. Craig*, 1 Wash. C. C. 424; *First Nat. Bk. v. Perris Irrigation Dist.*, 107 Cal. 55; *Mohr v.*

example) if a distributee under the intestate laws were to transfer his interest in an asset of the intestate's estate, the title of the transferee would not be good as against the administrator.<sup>1</sup>

### 171. Effect as to third parties.

It has been decided in some cases that the assignee of a *chose in action* will take it subject not only to the equities between the original parties to the contract, but also to existing equities in favor of third persons.<sup>2</sup> Thus, where there are two successive purchasers of the same equitable interest, the second purchaser, according to the authorities just cited, will take subject to the rights of the first. On the other hand, there are not wanting opinions to the effect that the assignee of a *chose in action* is only subject to the equities of the party bound by its obligation (the debtor), and not to those of prior assignees.<sup>3</sup> The true solution of the difficulty would appear to be found in correctly applying the maxim that between equal equities priority of time will prevail,<sup>4</sup> the meaning of which is, that as between persons having only equitable interests, if such equities are *in all other respects* equal, *qui prior est tempore potior est jure*.<sup>5</sup> If there is nothing else in the case to turn the scale, and the only fact before the court is the bald fact of priority of time, *that*, of course, will be conclusive. But in practice this is scarcely ever the case. It almost universally happens that two other questions have to be taken into consideration—the question of laches, and that of notice.<sup>6</sup> If the first purchaser has been guilty of laches,<sup>7</sup> his

Byrne, 135 Id. 87; Tate v. Security Trust Co., 63 N. J. Eq. 559; Himrod v. Gilman, 147 Ill. 293; Schultz v. Sroelowitz, 191 Id. 249.

<sup>1</sup> Pritchard v. Norwood, 15 Mass. 539.

<sup>2</sup> Bush v. Lathrop, 22 N. Y. 535; Central Trust Co. v. West India Imp. Co., 169 Id. 314; Schafer v. Reilly, 50 Id. 67; Patterson v. Rabb, 38 S. Car. 138; Westbury v. Simmons, 57 S. C. 467; Brown v. Equitable Life Assur. Soc., 75 Minn. 412; note to Ryall v. Rowles, 2 Lead. Cas. Eq. 1672.

<sup>3</sup> Livingston v. Dean, 2 Johns. Ch. 479; Murray v. Lylburn, Id. 441; Taylor v. Gitt, 10 Pa. 428; Mott v. Clark, 9 Id. 399; Mullison's Estate,

68 Id. 212; Metzgar v. Metzgar, 1 Rawle, 227; Moore v. Holcombe, 3 Leigh, 597; Church Building Society v. Free Church, 24 Wash. 433; note to Ryall v. Rowles, 2 Lead. Cas. Eq. 1672.

<sup>4</sup> *Ante*, § 45; Phillips v. Phillips, 10 W. R. 236.

<sup>5</sup> See Snell's Equity, 17, and Rice v. Rice, 2 Drew. 73, where the subject is clearly discussed by V. C. Kindersley.

<sup>6</sup> Rice v. Rice, *ut sup.* See, also, Lloyd's Bank, Limited, v. Bullock [1896], 2 Ch. 197.

<sup>7</sup> It need not amount to fraud. Farrant v. Yorkshire Banking Co., 40 Ch. D. 188; though see the language

equity becomes inferior to that of the second purchaser, and the equity of the latter will then prevail; for priority of time is the *last* ground of preference resorted to, and will never be considered if there is anything else to turn the scale.<sup>1</sup> On the other hand, the second purchaser may, under the circumstances of the particular case, be in a condition to avail himself of the plea of a *bona fide* purchaser for value without notice; and it is now well settled that such a plea is available for the protection of an equitable, as well as a legal title.<sup>2</sup>

Therefore, in examining into the relative merits (or equities) of two persons having adverse equitable interests, the points to which attention must be directed are these: the nature and condition of their respective equitable interests; the circumstances and manner of their acquisition; and the whole conduct of each party with respect thereto.<sup>3</sup> If the inquiry be directed to these grounds, a decision on the narrow point of priority of time will seldom, if ever, be found necessary.

### 172. Rights of action of assignee at law ; in equity.

Another effect of the assignment is that the assignee acquires thereby the right to make use of the name of the assignor in an action at law to recover the *chose*. The suit must be brought in the name of the original assignor to the use of the assignee; and courts of law now entertain such an action, and a recovery may thus be had in a common-law suit. The consequence of this right of the assignee to use the name of the assignor is, that a court of equity will not ordinarily entertain a bill, in the first instance, filed by the assignee against the debtor simply for the purpose of recovering the debt. Thus, if A is a creditor of B, and transfers the debt to C, this circumstance alone will not justify C in filing a bill in equity against B to recover the sum due. C's remedy, in the first instance, is a common-law action brought against B in A's name to C's use.<sup>4</sup> If, however, A in-

of Kay, J., in *Taylor v. Russell* [1891], 1 Ch. 8.

<sup>1</sup> *Rice v. Rice*, 2 Drew. 73; *The Queen v. Shropshire Union R. R. & Canal Co.*, 8 Q. B. Div. 420; L. R. 7 H. L. 496-516 (where the Exch. Ch. was reversed), and *Farrand v. Yorkshire Banking Co.*, 40 Ch. D. 188. See, also, *Maybin v. Kirby*, 4 Rich

Eq. 105, and *Judson v. Corcoran*, 17 How. 612. See, however, *Central Trust Co. v. West India Imp. Co.*, 169 N. Y. 314.

<sup>2</sup> *Colyer v. Finch*, 5 H. L. Cas. 905, 920.

<sup>3</sup> *Rice v. Rice*; *The Queen v. Shropshire Union, etc., Co.*, *ut sup.*

See *Chicago R. Co. v. Nichols*, 57

terferes in the matter for the purpose of preventing C from using his name, or any other circumstance exists by which C's right to recover at common law would be likely to be defeated, this will give rise to a jurisdiction in equity, and a bill to enforce the assignment and collect the debt or enjoin the assignor from collecting it <sup>1</sup> will then be entertained. In cases in which it is proper to resort to equity, the assignee can file a bill in his own name.<sup>2</sup>

While, however, in many instances, the assignee may sue at law in the name of the assignor, certain cases still exist in which the remedy of the assignee is in equity alone.<sup>3</sup>

### 173. Liability to be sued cannot be transferred; exceptions.

In leaving the subject of this chapter, it may be proper to remark that the liability to be sued cannot be transferred or assigned; that is to say, a person bound by a contract cannot, before or after breach, relieve himself from the obligation to perform it by assignment to another; nor will the assignee, without some stipulation on his part, be rendered liable.<sup>4</sup> The exceptions to this rule are: the assignment of liabilities on covenants which "run with the land;" the assignment of liability for a debt by agreement among all the parties interested; and the assignment of liabilities in consequence of marriage, bankruptcy, or death.<sup>5</sup>

The rule upon this subject is the same in equity as at law.

Ill. 466; *Hayward v. Andrews*, 106 U. S. 672; *New York Guarantee Co. v. Memphis Water Co.*, 107 Id. 205; *Hayes v. Hayes*, 45 N. J. Eq. 461.

In some jurisdictions, the assignee may sue, at law, in his own name. *Gregoire v. Rourke*, 28 Oreg. 275. See, also, in this connection, *Bentley v. Standard Fire Ins. Co.*, 40 W. Va. 729.

<sup>1</sup> *Dulaney v. Scudder*, 36 C. C. A. 54.

<sup>2</sup> See *Lenox v. Roberts*, 2 Wheat. 373.

<sup>3</sup> *Hammond v. Messenger*, 9 Sim. 327; *Ontario Bank v. Mumford*, 2 Barb. Ch. 596; *Adair v. Winchester*, 8 G. & J. 114; *Smiley v. Bell*, Mart. & Yerg. 378; *Moseley v. Boush*, 4 Rand. 392; *Hagar v. Buck*, 42 Vt. 290. See 1 *Parsons on Contracts*, 224, note (d).

<sup>4</sup> *Thomas v. Thomas*, 24 Ore. 251. See *Dacey on Parties to Actions*, pp. 76, 234.

<sup>5</sup> *Id.*



## PART II.

### EQUITABLE RIGHTS.

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#### CHAPTER I.

##### ACCIDENT AND MISTAKE.

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| <p>174. Definition of Accident.</p> <p>175. Limitations upon the relief afforded in equity.</p> <p>176. Cases in which relief will be afforded.</p> <p>177. Lost instruments; advantages of remedy in equity.</p> <p>178. Penalties.</p> <p>179. Liquidated damages.</p> <p>180. Agreements for reduction of debt.</p> <p>181. Forfeitures.</p> <p>182. Defective execution of powers.</p> <p>183. Miscellaneous cases.</p> <p>184. Equitable remedies in cases of Mistake.</p> <p>185. Definition of Mistake.</p> | <p>186. Mistakes of two kinds—of Law and of Fact.</p> <p>187. Mistakes of Law; <i>Hunt v. Roumanier's Adm'rs</i>; <i>Griswold v. Hazard</i>.</p> <p>188. Misrepresentation and Surprise.</p> <p>189. Compromises of doubtful rights; family arrangements.</p> <p>190. Mistakes of Fact; different kinds.</p> <p>191. Must be mutual, material, and not induced by negligence.</p> <p>192. Defective execution of powers.</p> <p>193. What defects may be remedied.</p> <p>194. For whose benefit.</p> <p>195. Against whom.</p> <p>196. Miscellaneous cases.</p> |
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#### 174. Definition of Accident.

HAVING considered those cases in which courts of equity afford relief by the creation of titles not known at common law, the next class of subjects for investigation embraces those cases in which chancery affects and controls the enjoyment of legal titles by the operation of certain rights known as equities.<sup>1</sup> Among the first of these equities which present themselves for consideration, are those of Accident and Mistake.

Accident is one of those "cases of extremity," which, in the

<sup>1</sup> Equities are rights which are established and enforced in accordance with the principles of equity jurisprudence under some general

principle or acknowledged rule governing courts of equity. *Steger v. Traveling Men's B. & L. Assn.*, 208 Ill. 296.

early days of chancery jurisdiction, gave to the suitor his right to appeal to the conscience of the chancellor. The particular case afterwards furnished the generic name to this head of jurisdiction, and the term "accident" is now commonly used to include all cases of extremity.<sup>1</sup>

It has been said by a celebrated writer that all attempts to define what accident, in its equitable signification is, have been unsuccessful;<sup>2</sup> nevertheless, it has been described by a modern author to be an unforeseen and injurious occurrence not attributable to mistake, neglect, or misconduct;<sup>3</sup> and this definition seems to be both accurate and comprehensive. A person who has been the sufferer from some such unforeseen occurrence, which cannot be ascribed to his own negligence, folly, or fault, or, possibly, to his own gross ignorance as to the legal effect of his acts,<sup>4</sup> is entitled, as a general rule, to relief in equity, because, ordinarily, the courts of common law did not in such cases afford redress.<sup>5</sup>

### 175. Limitations upon the relief afforded in equity.

Common-law courts, however, did not refuse relief in every case,<sup>6</sup> nor do courts of equity grant redress in all; for the jurisdiction of a Court of Chancery in cases of accident is circumscribed and defined by certain rules.

Thus equity will not interfere where there has always been an adequate remedy at law. When, however, the jurisdiction of equity has once attached by reason of the original refusal of courts of law to entertain such a case, that jurisdiction of chancery, once acquired, cannot be ousted by any subsequent assumption of jurisdiction in such cases on the part of the courts of law; nor because authority to afford relief has been conferred on common-law courts by statute.<sup>7</sup> This is only in accordance with the general maxim already explained.<sup>8</sup>

<sup>1</sup> 1 Spence, 628. See *East India Co. v. Boddam*, 9 Ves. 466; *Armitage v. Wadsworth*, 1 Mad. 189-193; *Story's Eq. Jurisp.* § 79.

<sup>2</sup> 1 Spence, 628.

<sup>3</sup> *Smith's Manual of Equity*, 36. See, also, *Story's Eq. Jurisp.* § 78.

<sup>4</sup> *Sims v. Lyle*, 4 Wash. C. C. 320.

<sup>5</sup> See *post*, § 409.

<sup>6</sup> 3 Black. Com. 431. "Many ac-

cidents are supplied in a court of law, as loss of deeds, mistakes in receipts and accounts, wrong payments, deaths which make it impossible to perform a condition literally, and a multitude of other contingencies." *Id.*

<sup>7</sup> See *Case v. Fishback*, 10 B. Mon. 40; *Hall v. Hall*, 43 Ala. 488.

<sup>8</sup> *Ante*, pp. 56 *et seq.*; *British Em-*

Equity, moreover, will not interpose to remedy an accident which is the result of the gross neglect or fault of the party seeking relief.<sup>1</sup> It would, for example, decline to afford relief to the obligee in a bond who has himself destroyed the instrument.<sup>2</sup> But when the accident occurs through the act of God, the rule may, under some circumstances, be modified.<sup>3</sup>

Again, a chancellor will not afford relief so as to entirely release a person from doing something which he has expressly covenanted to do, but of which the performance has become unexpectedly harsh or burdensome. The instance of this rule which is usually given, is the destruction of demised premises by fire, in which case, if there is an express covenant to pay the rent, the tenant is compelled to pay, although he has quite lost the enjoyment of the premises; and he can have no relief in equity.<sup>4</sup>

Care must be taken to distinguish these cases from that of a penalty incurred by reason of the non-performance of a covenant on a stipulated day, for against such a forfeiture (if the injury inflicted by the non-performance of the covenant can be compensated by damages) equity will relieve. The difference is this: in the case of a forfeiture the plaintiff asks to be relieved from the penalty only, not from his covenant; but in the case above put, of the destruction of demised premises by fire, the tenant asks that the court should relieve him entirely from the obligation to pay rent which he has assumed, and *this* a court of equity will decline to do.

Equity will not interfere on the ground of accident against a *bona fide* purchaser for value without notice, or, indeed, in any case in which the equity of the party against whom the relief is sought is equal or superior to that of the party who invokes the aid of the court. On the other hand, a chancellor will not interpose upon the application of a mere volunteer.<sup>5</sup>

pire Shipping Co. v. *Somes*, 3 K. & J. 437; *Snell's Eq.* 335; *Story's Eq. Jurisp.* § 80.

<sup>1</sup> *Marine Ins. Co. v. Hodgson*, 7 Cranch, 336; *Penny v. Martin*, 4 Johns. Ch. 569; *Barnet v. Turnpike Co.*, 15 Vt. 757.

<sup>2</sup> *Davis v. Davis*, 6 Ired. Eq. 418; *Ex parte Greenway*, 6 Ves. 813.

<sup>3</sup> *Chase v. Barrett*, 4 Paige Ch. 148.

<sup>4</sup> See *Smith's Land. and Ten.* 202. See, also, *Fowler v. Bott*, 6 Mass. 63; *Hallett v. Wylie*, 3 Johns. R. 44; *Brewer v. Herbert*, 30 Md. 301; *Magaw v. Lambert*, 3 Barr, 444; *Bussman v. Ganster*, 72 Pa. 285; *Jackson on Land. and Ten.* par. 286.

<sup>5</sup> *Story's Eq. Jurisp.* §§ 106 & seq.

### 176. Cases in which relief will be afforded.

Subject to the qualifications above stated, equity will relieve when deeds or other instruments are lost, when penalties are accidentally incurred, when powers are defectively exercised, and in certain miscellaneous cases which cannot be grouped under general heads.<sup>1</sup>

### 177. Lost instruments; advantages of remedy in equity.

Equity, then, has, in the first place, a jurisdiction to give relief when bonds or other documents are lost,<sup>2</sup> and the loss obstructs the right of the plaintiff at law, or leaves him exposed to undue perils in the future assertion of such rights. The mere loss will not be sufficient to give equity jurisdiction; but the party must show that he has no remedy or no sufficient remedy at law.

Apart from the fact that a re-execution of the instrument may be ordered,<sup>3</sup> the superiority of the equitable over the legal relief is shown in many ways. In equity, suitable indemnity can always be exacted from the complainant, so that recovery upon a lost instrument may be had, and, at the same time, the defendant may be sufficiently protected against any contingent liability growing out of the subsequent discovery of the instrument, and an assertion of rights under the same by any other party. Indemnity can, indeed, be required in common-law actions, especially in this country, where not only equitable principles, but also equitable practice, have been, in many instances, infused into the common-law forms.<sup>4</sup> Nevertheless, the ability of courts of equity to require such a stipulation is undoubted, and has

<sup>1</sup> Equity cannot restore the lost records of another court, *Kean v. Jordan*, 13 Fla. 327, though it may confirm a title acquired under lost records. *Garratt v. Lynch*, 45 Ala. 204.

<sup>2</sup> Story's Eq. Jurisp. § 84. See *East India Co. v. Boddam*, 9 Ves. 466; *Donaldson v. Williams*, 50 Mo. 408; *Patton v. Campbell*, 70 Ill. 72; *Reeves v. Morgan*, 48 N. J. Eq. 415; *Cleaver v. Franklin Fire Ins. Co.*, 47 W. Va. 595. Where an unrecorded deed of land has been lost, an action in equity is maintainable to compel the grantor, or after his death, those representing his title, to execute

another deed, so as to clothe grantees with the record title. *Kent v. Church of St. Michael*, 136 N. Y. 10.

<sup>3</sup> The jurisdiction of equity is frequently described as extending to cases of loss, destruction or suppression of deeds; but suppression must be a fraud, and equity would have jurisdiction under that head. See *post*, Part III., chapter on Re-execution and Cancellation.

<sup>4</sup> *Bridgeford v. Masonville Manuf. Co.*, 34 Conn. 546; *Almy v. Reed*, 10 Cumb. 421; *Smith v. Rockwell*, 2 Hill (N. Y.), 482; *Fales v. Russell*, 16 Pick. 315; Story's Eq. Jurisp. § 82.

been one of the grounds on which the jurisdiction in cases of accident has been supported.

An alternative decree may be framed in equity so as to do justice either in the event of the continued loss or withholding of the instrument, or in that of its discovery or production.<sup>1</sup> Mere declaratory decrees, i. e., decrees declaring the rights of parties to property, of which they are already in possession, but of which their title may be disputed, may be entered in equity.<sup>2</sup> Such decrees are, of course, beyond the power of the common-law courts, for *there* the party in possession could bring no action by which his title could be ascertained as against a threatened claim.

Proof of bonds may be dispensed with in equity; whereas at law such proof had to be made in the declaration, and the instrument produced, if required. The old common-law rule has indeed been altered, and a party may now *excuse* a profert, stating his excuse in the declaration.<sup>3</sup> But equity, having acquired jurisdiction under the law as it formerly stood, still retains it in such cases.<sup>4</sup>

It is one of the safeguards with which equity surrounds a defendant in the cases now under consideration, that the plaintiff must file an affidavit of the loss of the instrument.<sup>5</sup> In some instances, it is true, relief has been afforded where the proof of loss was very clear, although no affidavit had been filed; but, as a general rule, an affidavit will be demanded,<sup>6</sup> for it is re-

<sup>1</sup> Story's Eq. Jurisp. § 84.

<sup>2</sup> See *Rex v. Arundel*, Hob. 108 (b); *Worthy v. Tate*, 44 Ga. 152; *Sharon v. Tucker*, 144 U. S. 533; Story's Eq. Jurisp. § 84. This doctrine, however, is not carried to the extent of holding that bills may be filed for the mere purpose of having future rights declared. There must be some present ground for redress, such as discovery, accident, etc. See *post*, § 571.

<sup>3</sup> See Chitty's Pleading, 365. See, also, *Ex parte Greenway*, 6 Ves. 811; *East India Co. v. Boddam*, 9 Id. 460.

<sup>4</sup> *Bramley v. Holland*, 7 Ves. 18.

<sup>5</sup> Except in cases of bills for discovery only; for it is presumed that

no person who is in possession of the instrument would file a bill for the discovery of it, especially when the expense of a discovery all falls upon the plaintiff. Goldsmith's Doctrine of Equity, 82; Daniel's Ch. Prac. 395, 396; Story's Eq. Pleading, § 268.

<sup>6</sup> *Chewning v. Singleton*, 2 Hill Eq. 371; *Hill v. Lackey*, 9 Dana, 81; *Owen v. Paul*, 16 Ala. 130; *Pennington v. The Governor*, 1 Blackf. 78; *Thornton v. Stewart*, 7 Leigh, 128; *Livingston v. Livingston*, 4 Johns. Ch. 204; *Graham v. Hackwith*, 1 A. K. Marsh. 424; *Parson's Adm'r v. Wilson*, 2 Tenn. 260; *Webb v. Bowman*, 3 J. J. Marsh. 73; 1 Dan. Chan. Prac. 395.

quired not so much as evidence of loss, as security for the propriety of jurisdiction.<sup>1</sup>

As to promissory notes the rule seems to be, that, where the note is negotiable and is lost before it becomes due, no recovery can be had at law, and the remedy is solely in equity.<sup>2</sup> But if the note was not negotiable, or the loss happened after the note fell due, the party has a remedy at law; and as proof of a promissory note is not necessary, the remedy at law is complete, and the party has no standing in equity, unless, of course, some other and special ground is laid.

### 178. Penalties.

Another class of cases in which equity originally afforded relief, on the ground of accident, is that of penalties.

Accident is undoubtedly the origin of the jurisdiction of chancery upon the subject of penalties; but subsequently the jurisdiction was extended to embrace all questions as to penalties irrespective of accident.<sup>3</sup>

The penalty named in a bond was originally inserted for the purpose of "evading the absurdity of those monkish constitutions which prohibited taking interest for money, and was, therefore, very pardonably considered the real debt in courts of law, when the debtor neglected to perform his agreement for the return of the loan with interest; for the judges could not, as the law then stood, give judgment that the interest should be specifically paid."<sup>4</sup> The reason of this rule ceased when interest was allowed by statute to be recovered; but the narrow and illiberal views which were entertained at this time, in courts of law, prevented the judges from taking advantage of the circumstance to alter the rule; and the suitor was consequently driven into chancery. The jurisdiction of chancery, as has been already stated, originally arose when the obligor was prevented by accident from paying the sum on the day named; but it was afterwards extended, and now embraces all cases of default from whatever cause—upon the principle that compensation and not forfeiture is the just and equitable rule which is to be applied to all cases,

<sup>1</sup> *East India Co. v. Boddam*, 9 Ves. 466. See *Bromley v. Holland*, 7 Id. 18.

<sup>2</sup> See *Byles on Bills* (Sharswood), 300, 301, and notes; *Wright v. Maid-*

*stone*, 1 K. & J. 701; *Savannah Nat. Bank v. Haskins*, 101 Mass. 370.

<sup>3</sup> See 1 *Spence, Eq.* 629, 630.

<sup>4</sup> 3 *Black. Com.* 434.

and that when a debtor pays the debt, with interest for its detention, and costs, he ought not to be mulcted in a further sum. This reasonable rule soon found its way into the statute book, and acts of parliament were passed allowing courts of common law to afford the same relief.<sup>1</sup> These, or similar statutes, are in force generally in the United States; and the necessity for the exercise of chancery interference has, therefore, to a great extent, passed away; but its jurisdiction still remains.<sup>2</sup>

### 179. Liquidated damages.

The question which, perhaps, most frequently arises is, whether the sum named is to be regarded as a penalty, or as the amount of damages which the parties have agreed shall be recovered in case of a breach of the covenant. Against a penalty equity will relieve; but not against stipulated (or liquidated) damages.<sup>3</sup>

The mere use, however, of the words "stipulated damages," will not determine the rule to be applied; *that* will depend upon the substantial nature of the contract.<sup>4</sup> The general result of the authorities has been correctly stated to be, that "when the injury is susceptible of definite admeasurement, as in all cases where the breach consists in the non-payment of money, the parties will not be allowed to make a stipulation for a greater amount, whether in the form of a penalty or of liquidated damages."<sup>5</sup> But when, on the other hand, the injury in question is uncertain in itself, and unsusceptible of being reduced to certainty by a legal computation, it may be settled beforehand by

<sup>1</sup> 8 and 9 Will. III., ch. 11, § 8; 4 and 5 Anne, ch. 16, §§ 12, 13. It was said, in *Betts v. Burch*, 4 Hurl. & Nor. 506, that the courts seem to have granted relief without reference to the statutes, and on general principles. See 2 Lead. Cas. Eq. 1098 (4th Eng. ed.).

<sup>2</sup> See the notes to *Peachy v. The Duke of Somerset*, 2 Lead. Cas. Eq. 1096 (4th Eng. ed.); 3 Id. 895 (3 Am. ed.); *Ewing v. Litchfield*, 91 Va. 575; *Lynch v. Versailles Fuel Gas Co.*, 165 Pa. 518.

<sup>3</sup> *Skinner v. Dayton*, 2 Johns. Ch. 526; *Hackett v. Alcock*, 1 Call, 533; *Asher v. Pendleton*, 6 Gratt. 628;

*Dills v. Doeblor*, 62 Conn. 366; *Kunkel v. Wherry*, 189 Pa. 201; *Burgoon v. Johnson*, 194 Id. 61.

<sup>4</sup> *Hamaker v. Schroers*, 49 Mo. 406; *Morris v. McCoy*, 7 Nev. 399; *Lee v. Overstreet*, 44 Ga. 507; *Goldman v. Goldman*, 51 La. Ann. 761; *Morrill v. Weeks*, 70 N. H. 178; notes to *Peachy v. Duke of Somerset*, 3 Lead. Cas. Eq. 677 (3 Am. ed.); *Stony Creek Lumber Co. v. Fields*, 102 Va. 1.

<sup>5</sup> See *Rayner v. Rederiaktiebolaget Condor* [1895], 2 Q. B. 289; *Wilson v. Love* [1896], 1 Q. B. 626; *Poppers v. Meagher*, 148 Ill. 192.

a special agreement."<sup>1</sup> In all cases, however, it is a question of intention.<sup>2</sup>

### 180. Agreements for reduction of debt.

Another question which often presents itself for consideration is, whether an agreement for the reduction of a debt, in case of prompt payment, or the performance of some other condition, shall be governed by the ordinary rules which are applicable to penalties.

The rule is that where a certain sum of money is due and the creditor enters into arrangements with his debtor to take a lesser sum, provided that sum is secured in a certain way and paid at a certain day, but if any of the stipulations of the arrangement are not performed as agreed upon, the creditor is to be entitled to recover the whole of the original debt, such remitter to his original rights does not constitute a penalty, and equity will not interfere to prevent its observance.<sup>3</sup>

The court, in this case, approved the doctrine as stated in *Thompson v. Hudson*,<sup>4</sup> decided in 1869, in the House of Lords. Equity, it was there said, will always look to the substance of the transaction; if the substance is inequitable, equity will relieve against it, or will not enforce it—if it is not so, equity will enforce the agreement.<sup>5</sup> The law is perfectly clear, that where

<sup>1</sup> *Nesbit v. Brown*, 1 Dev. Eq. 30; *Rogan v. Walker*, 1 Wis. 527; 3 Lead. Cas. Eq. 683 (3d Am. ed.); *Heetwole v. Gorrell*, 35 Kan. 692; *Gay Manuf. Co. v. Camp*, 25 U. S. App. 134; *Woodbury v. Turner Manuf. Co.*, 96 Ky. 459; *Borley v. McDonald*, 69 Vt. 309; *Curtis v. Van Bergh*, 161 N. Y. 47; *Taylor v. Times Newspaper Co.*, 83 Minn. 523; *Johnson v. Cook*, 24 Wash. 474; *Whiting v. Village of New Baltimore*, 127 Mich. 66; *New Britain v. New Britain Telephone Co.*, 74 Conn. 326; *Lew v. Local Board of Redditch* [1892], 1 Q. B. 127; *Augusta Laundry Co. v. Debow*, 98 Me. 496.

<sup>2</sup> 2 Lead. Cas. Eq. 2052 (4th ed.). See, also, *Cotheal v. Talmage*, 5 Seld. 551; *Streeper v. Williams*, 48 Pa. 454; *Shreve v. Brereton*, 51 Id. 175; *Keck*

*v. Bieber*, 148 Id. 646; *Wilkinson v. Colley*, 164 Id. 35; *Malone v. Philadelphia*, 147 Id. 416; *Cochran v. People's Ry. Co.*, 113 Mo. 359; *Clements v. R. R.*, 132 Pa. 445; *Chase v. Allen*, 13 Gray, 45; *Fisk v. Gray*, 11 Allen, 132; *Guerin v. Stacy*, 175 Mass. 595; *Coal Creek Co. v. Tennessee Coal Co.*, 106 Tenn. 651; *Wheeldon v. Am. Bonding and Trust Co.*, 128 N. C. 69; *Morrill v. Weeks*, 70 N. H. 178, and cases cited in preceding note; 3 *Parsons on Contracts*, 156.

<sup>3</sup> *United States Mortgage Co. v. Sperry*, 138 U. S. 348. The same rule was recognized in *Walah v. Curtis*, 73 Minn. 254, but the facts of the case were not deemed to warrant its application.

<sup>4</sup> L. R. 4 H. L. 1.

<sup>5</sup> By Lord Selborne (then Sir Roun-



there is a debt actually due, and in respect of that debt a security is given, be it by way of mortgage, or be it by way of stipulation, that, in case of its not being paid at the time appointed, a larger sum shall become payable, and be paid; in either of these cases, equity regards the security that has been given as a mere pledge for the debt, and it will not allow either a forfeiture of the property pledged or any augmentation of the debt as a penal provision, on the ground that equity regards the contemplated forfeiture, which might take place at law with reference to the estates, as in the nature of a penal provision, against which equity will relieve when the object in view, viz., the securing of the debt, is attained, and regarding, also, the stipulation for the payment of a larger sum of money, if the sum be not paid at time it was due, as a penalty and a forfeiture against which equity will relieve. It is equally clear, upon the other hand, that, where there is a debt due, and an agreement is entered into at the time of that debt having become due, and not being paid, in regard to further indulgence to be conceded to the debtor, or further time to be accorded to him for the payment of the debt, or in regard to his paying it immediately, if that be a portion of the stipulations of the agreement, or at some future time which may be named, and the creditor is willing to allow him certain advantages and deductions from that debt, as well as to extend the time for its payment, if adequate and satisfactory security is afforded him as a consideration, then it is perfectly competent to the creditor to say that if the payment is not made *modo et forma* according to the stipulation, the right to the original debt reverts.<sup>1</sup> In other words, it is right and rational for a creditor to say to his debtor: "Provided you pay me half of the debt or two-thirds of the debt on an appointed day, I will release you from the rest, and will accept the money so paid in discharge of the whole debt; but if you do not make payment of it on that day, then the whole debt shall remain due to me, and I shall be at liberty to recover it;" and this is the view which a court of equity will adopt.<sup>2</sup>

del Palmer) and L. J. Mellish (then Mr. Mellish), *arguendo* for appellants.

<sup>1</sup> See opinion of Lord Hatherley in L. R. 4 H. L. 15.

<sup>2</sup> Thompson v. Hudson—opinion of Lord Westbury, L. R. 4 H. L. 27. "If you were to put that proposi-

tion," said Lord Westbury, "to any plain man walking the streets of London, there could be no doubt at all that he would say that it is reasonable and accordant with common sense. But if he was told that it was requisite to go to three tribunals be-

In accordance with these principles, it has been decided that, where a mortgage provides for the payment of sums by instalments, and contains a stipulation for the payment of the whole sum due in default of payment of any such instalment, such proviso is binding and not in the nature of a penalty.<sup>1</sup> The same rule applies to the case of stipulations for the immediate maturity of the principal debt upon default in payment of interest; and where the mortgagor offers no excuse except his own neglect, he will not be favorably regarded.<sup>2</sup>

A man cannot escape from the specific performance of an agreement by electing to pay the penalty for the breach. "If a man, for instance, agrees to settle an estate, and executes his bond for a certain sum as a security for the performance of his contract, he will not be allowed to pay the forfeit of his bond, and avoid his agreement, but he will be compelled to settle his estate in specific performance of his agreement."<sup>3</sup>

### 181. Forfeitures.

The relief afforded in cases of penalties is only an instance of a general rule; for the same species of redress will be afforded in all cases of forfeiture resulting from non-payment of money, and in all cases where the damage incurred by non-performance is susceptible of pecuniary measurement, and, therefore, of compensation.<sup>4</sup> An excellent instance of the application of this

fore you could get that plain principle and conclusion of common sense accepted as law, he would, undoubtedly, hold up his hands with astonishment at the state of the law." See *Parker v. Olliver*, 106 Ala. 549. But in *Goodyear Co. v. Sels*, 157 Ill. 186, a discount allowable for payment of rent, by way of anticipation, was held to be a penalty.

<sup>1</sup> *Sterne v. Beck*, 11 Weekly Rep. 791; *Robinson v. Loomis*, 51 Pa. 78; *The People v. The Sup. Ct. of N. Y.*, 19 Wend. 104; *Noyes v. Clark*, 7 Paige Ch. 179; *The Plank Road Co. v. Murray*, 15 Ill. 337; *Curran v. Houston*, 201 Id. 442; *Baldwin v. Van Vorst*, 10 N. J. Eq. 577; *Hewitt v. Dean*, 91 Cal. 5.

<sup>2</sup> *Warwick Iron Co. v. Morton*, 148 Pa. 72-74.

<sup>3</sup> *Per Lord St. Leonards in French v. Macale*, 2 Dr. & War. 275; *Gordon v. Brown*, 4 Ired. Eq. 399; *Dooley v. Watson*, 1 Gray, 414; *Canal Co. v. Sansom*, 1 Binney, 70; *Brown v. Bellows*, 4 Pick. 179. See, however, *Perkins v. Lyman*, 11 Mass. 76; *Pearson v. Williams*, 26 Wend. 630; *Williams v. Green*, 14 Ark. 315, 322; *Bodine v. Glading*, 21 Pa. 50, 54; 3 Lead. Cas. Eq. 685 (3d Am. ed.); *Middletown v. Newport Hospital*, 16 R. I. 319; *Lyman v. Gedney*, 114 Ill. 388.

<sup>4</sup> *Hagar v. Buck*, 44 Vt. 285; *Bowser v. Colby*, 1 Hare, 128. See further upon this *s. v. Gregory*

general rule will be found in a recent decision in New Jersey.<sup>1</sup> So if no loss has been sustained, equity may, in some cases, compel the return of a deposit of money which is attempted to be forfeited.<sup>2</sup>

But equity will not, in general, and in the absence of special circumstances calling for interference, give relief in cases of forfeiture growing out of breach of covenant for repairing, insuring, or doing any specific act.<sup>3</sup> The ground of this difference is, that in such cases, it is unknown "what the measure of damages shall be."<sup>4</sup> Therefore, it cannot be argued that there is any right in a court of equity, or any practice of such a court to give relief in cases of this kind by way of *mercy*, or by way *merely of saving property from forfeiture*. But relief may be afforded in some cases, for it is the first principle upon which all courts of equity proceed, that if parties who have entered into definite and distinct terms involving certain legal results—certain penalties or legal forfeiture—afterwards by their own acts, or with their own consent, enter upon a course of negotiation which has the effect of leading one of the parties to suppose that the strict rights arising under the contract will not be enforced, or will be

*v. Wilson*, 9 Hare, 683; *Bargent v. Thompson*, 4 Giff. 473; *Nokes v. Gibbon*, 3 Drew. 681; *Hill v. Barclay*, 18 Ves. 62; *Bracebridge v. Buckley*, 2 Price, 200; *Walker v. Wheeler*, 2 Conn. 299; *Michigan State Bank v. Hammond*, 1 Doug. (Mich.) 527; *Hancock v. Carlton*, 6 Gray, 39; *Thompson v. Whipple*, 5 R. I. 144; *Kopper v. Dyer*, 59 Vt. 477; *Palmet v. Ford*, 70 Ill. 369; *Orr v. Zimmermann*, 63 Mo. 72, and *Ebert v. Arends*, 190 Ill. 221, an excellent illustration of the way in which the general principles of equity are applied in such cases.

<sup>1</sup> *North Jersey Street Ry. Co. v. South Orange*, 58 N. J. Eq. 83. See, also, *Allison v. Cocke's Extr.*, 106 Ky. 763; *Pheasant v. Hanna*, 63 W. Va. 613.

<sup>2</sup> See *Willson v. Mayor of Baltimore*, 83 Md. 203—a case in which a bidder on a municipal contract was

held entitled to a return of his deposit money.

<sup>3</sup> Nor will it, except under special circumstances, relieve against the non-performance of a condition precedent. *Reves v. Toulman*, 25 Ala. 452; *West Va. & P. R. Co. v. Harrison County Court*, 47 W. Va. 273. See *South Penn Oil Co. v. Edgell*, 48 W. Va. 348, for a case in which relief was granted.

<sup>4</sup> *Wafer v. Mocato*, 9 Mod. 112; *Reynolds v. Pitt*, 19 Ves. 141; *Descarlett v. Dennett*, 9 Mod. 22; *Sparks v. Liverpool Waterworks*, 13 Ves. 428; *Germantown Pass. Railway Co. v. Fidler*, 60 Pa. 131; *Dunklee v. Adams*, 20 Vt. 415. In England parties who have been guilty of a forfeiture for non-compliance with a covenant to insure, are now relieved by Stat. 22 and 23 Vict., c. 35, under certain circumstances, and upon certain conditions.

kept in suspense, or held in abeyance, the person who otherwise might have enforced those rights will not be allowed to do so where it would be inequitable, having regard to the course of dealing between the parties.<sup>1</sup> Hence, it was decided in a comparatively recent case in the House of Lords, that where a notice to repair has been given, and the lessee makes an offer to sell his interest in the premises, and a negotiation takes place on that offer, the effect of that offer and the negotiation is to suspend the notice till the negotiation has been terminated, from which event alone the date of the notice can properly be calculated; and that equity would relieve against an ejectment founded on the original notice.<sup>2</sup>

It is well settled that a court of equity will not lend its aid actively to enforce a forfeiture.<sup>3</sup> A chancellor will not lift his hand to aid a litigant in enforcing a forfeiture.<sup>4</sup> Thus, in the *Oil Creek Railroad Company v. The Atlantic and Great Western Railroad Company*, a bill was filed to enforce the forfeiture of a lease granted by the complainants to the defendants, on the ground that the latter had forfeited their right to the same by their failure to build a road within the time prescribed, in accordance with the express provisions of the lease. The court was distinctly asked to enforce what had been agreed upon by the parties should be a forfeiture. But the prayer of the bill was refused on the express ground that a court of equity will never lend its assistance in the enforcement of a forfeiture, but will leave the parties to their legal remedies.<sup>5</sup> In some cases, however, the enforcement of a forfeiture may be regarded in equity with favor.<sup>6</sup>

<sup>1</sup> *Hollowell v. Ins. Co.*, 126 N. C. 398.

<sup>2</sup> *Hughes v. Directors of the Metropolitan Railway*, 2 App. Cas. 439; and see *Hukill v. Myers*, 36 W. Va. 639.

<sup>3</sup> *Livingston v. Tompkins*, 4 Johns. Ch. 415; *Warner v. Bennett*, 31 Conn. 468; *Smith v. Jewett*, 40 N. H. 534; *Bird v. Hawkins*, 58 N. J. Eq. 22; *Bonniwell v. Madison*, 107 Iowa, 85; 4 *Kent's Com.* 130; *Toledo R. R. Co. v. St. Louis R. R. Co.*, 208 Ill. 623; *Moberly v. Trenton*, 181 Mo. 637; *Tetley v. McElmurry*, 201 Mo. 382.

<sup>4</sup> *Foley v. Grand Hotel Co.*, 57 C. C. A. 629.

<sup>5</sup> 57 Pa. 65; *McKim v. White Hall Co.*, 2 Md. Ch. 510; *Clarke v. Drake*, 3 Chand. 253; *Gordon v. Lowell*, 21 Me. 251; *Beecher v. Beecher*, 43 Conn. 556; *Shade v. Oldroyd*, 39 Kan. 313; *Cheney v. Bilby*, 36 U. S. App. 720; *Wick v. Bredin*, 189 Pa. 94; *South Car. Co. v. Augusta Co.*, 107 Ga. 164; *Hodges v. Buell*, 134 Mich. 162; *Spies v. Railroad Co.*, 60 W. Va. 389.

<sup>6</sup> *Brown v. Vandergrift*, 80 Pa. 142. See, also, *Drown v. Ingels*, 3 Wash.

### 182. Defective execution of powers.

The third class of cases in which equity will relieve on the ground of accident embraces defective execution of powers.<sup>1</sup> This subject will be more fully considered under the next head of equity jurisdiction—that, namely, of Mistake. It will be sufficient to say, at present, that in cases of accident, equity will relieve where there is a *defective* execution of a power, but not where there is a *non-execution*, in favor of a purchaser, a creditor, a wife, a child, or a charity; but not in favor of the donee of the power, or a husband, or grandchildren, or remote relations, or strangers; and not where there are any opposing equities on the other side. Defects which are of the very essence of the power will not be relieved against, but mere formal defects will.

The powers here referred to are powers which have been created by way of use, and not bare authorities conferred by law.<sup>2</sup>

### 183. Miscellaneous cases.

Besides the cases above stated, there is a number of miscellaneous instances in which equity will give relief on the ground of accident. Thus, where an administrator or executor pays debts, legacies, or distributive shares, under the impression that the assets are sufficient for all demands, and it afterwards turns out, from unexpected occurrences, that the assets are insufficient; or an annuity is directed by will to be secured on public stock, and an investment is made, sufficient at the time, but afterwards rendered insufficient by action of Parliament in reference to the stock; or where a testator cancels a former will upon the presumption that a later will, made by him, is duly executed, when it is not; or when boundaries have been accidentally confused; or there has been an accidental omission to endorse a promissory note; in all of the above cases, and, in-

424, and *Laurel Creek Co. v. Brown-*  
ing, 99 Va. 528; *Negaunee Iron Co.*  
*v. Iron Cliffs Co.*, 134 Mich. 264;  
*Lindelse v. Realty Co.*, 146 Fed. Rep.  
630.

<sup>1</sup> The principle upon which relief in the case of defective execution of powers rests is said by Mr. Adams (*Doctrine of Equity*, 98) to be that equity will recognize a meritorious

consideration, and will complete gifts made on such a consideration in favor of a donor's intention after death. This is, perhaps, a philosophical statement of the principle; the cases, however, are ordinarily referred to the two heads under which they are treated in this work, viz., Accident and Mistake.

<sup>2</sup> See *Bright v. Boyd*, 1 Story, 478.

deed, it may be safely said, in *any* case of accident, where the party injured has not been in default, and the party on the other side has no special equity to protect him, a Court of Chancery will give relief suited to each particular case, subject to the general rules already stated.<sup>1</sup> Moreover, the same principle which leads a court of equity upon proper proof to establish by its decree the existence of a lost deed, and thus make it a matter of record, will justify it, upon like proof, to declare by its decree the validity of a title resting in the recollection of witnesses, and thus make the evidence of title a matter of record.<sup>2</sup>

#### 184. Equitable remedies in cases of mistake.

Having noticed the head of equitable jurisdiction which has been termed "Accident," the next subject requiring consideration is that of Mistake.

The jurisdiction of chancery to correct mistakes in deeds was assumed at a very early day.<sup>3</sup> The reason for its exercise was twofold: first, because of the implicit credit which courts of law gave to the seal of a party unless fraud was proved; and second, because all the relief which a court of law could possibly afford would be to treat the instrument as a nullity, in which case the intention of the parties would, after all, be defeated in many instances; whereas in equity the instrument could be *reformed*, and relief granted upon the instrument when so corrected in the same manner as if it had been made perfect in the first instance,<sup>4</sup> and the true meaning of the parties to a transaction could thus be expressed and carried out.

This reference to the superiority of the equitable *remedy* in

<sup>1</sup> Story's Eq. Jurisp. §§ 90 *et seq.* See, in this connection, also, cases where equity will interfere to prevent the enforcement of judgments at law where the defendant has lost his legal rights through accident. *Post*, § 409, Injunctions to Restrain Proceedings at Law. See, moreover, *Hamburg-Bremen Fire Ins. Co. v. Pulzer Manuf. Co.*, 42 U. S. App. 123, where mistake in the amount of a verdict, due to an accident, was relieved against after the term, and *Gill v. Pelkey*, 54 Oh. St. 348, where pre-

ceedings in a Probate Court were corrected.

<sup>2</sup> By Field, J., in *Sharon v. Tucker*, 144 U. S. 533-548.

<sup>3</sup> 1 Spence, 634.

<sup>4</sup> *Ballance v. Underhill*, 3 Scam. 459; *Willis v. Henderson*, 4 Id. 18; *Firemen's Ins. Co. v. Powell*, 13 B. Mon. 314; *Shelby v. Smith*, 2 A. K. Marsh. 504; *Ring v. Ashworth*, 3 Cole (Ia.), 452. See *post*, § 470, as to how far this will be done in parol contracts affecting realty.

cases of mistake naturally leads to the remark that at present the only points to be considered are those which relate to the *nature* of mistakes, their different kinds, the circumstances under which equity will afford relief, and the occasions which most frequently arise for the interposition of the chancellor. The *character* of the remedy afforded will be attempted to be explained and discussed in the chapter on Reformation and Cancellation.<sup>1</sup>

### 185. Definition of Mistake.

A mistake exists when a person, under some erroneous conviction of law or fact, does, or omits to do, some act which but for the erroneous conviction he would not have done or omitted.<sup>2</sup> It may arise either from unconsciousness, ignorance, forgetfulness, imposition, or misplaced confidence.<sup>3</sup>

Where the mistake arises from imposition or misplaced confidence, relief may be had on the ground of fraud.<sup>4</sup> Where it arises from unconsciousness, ignorance, or forgetfulness, no element of fraud exists, and redress must be obtained, if obtained at all, on the distinct equitable basis of mistake.

### 186. Mistakes of two kinds—of Law and of Fact.

The most natural division of the subject under consideration, and that which is usually made, is into Mistakes of Law, and Mistakes of Fact.

### 187. Mistakes of Law ; *Hunt v. Rousmanier's Adm'rs.* ; *Griswold v. Hazard.*

The general rule of the common law is that a mistake of law is no ground for relief.<sup>5</sup> This principle, which is one familiar to

<sup>1</sup> *Post*, Part III., Chap. III., *Greene v. Smith*, 160 N. Y. 533; *Desert Nat. Bank v. Dinwoodey*, 17 Utah, 43.

<sup>2</sup> *Haynes's Outlines of Equity*, 132.

<sup>3</sup> *Kerr on Fraud and Mistake*, 396; *Story's Eq.* § 110. See *Kowalke v. The Milwaukee Electric Railway and Light Co.*, 103 Wis. 472.

<sup>4</sup> See *Beckett v. Heston*, 49 N. J. Eq. 510; *Smith v. Smith*, 134 N. Y. 62.

<sup>5</sup> *Manser's Case*, 2 Coke, 3, b. Contracts made on the faith of the law

as enunciated in a decision of a court of last resort, in the absence of fraud, misrepresentation or want of knowledge of all the facts, will not be set aside because of a subsequent decision by the same court overruling the former one, since a mistake of law is no ground of relief. *Pittsburg Iron Co. v. Lake Superior Iron Co.*, 118 Mich. 109.

Mere ignorance of the law standing alone does not constitute any defence against its enforcement, and

all systems of jurisprudence, is, in the common law, embodied in the maxim "*Ignorantia legis neminem excusat.*" As a general rule the same principle may be said to exist in equity;<sup>1</sup> but this, like many other general rules, must be taken with qualifications. While "a mere mistake of law, stripped of all other circumstances, constitutes no ground for the reformation of written contracts," yet "the rule that an admitted or clearly established misapprehension of the law does create a basis for the interference of courts of equity, resting on discretion and to be exercised only in the most unquestionable and flagrant cases, is certainly more in consonance with the best considered and best reasoned cases upon this point, both English and American."<sup>2</sup>

The cases in which mistakes of law will not, and those in which

a mistake of law, pure and simple, without the addition of any circumstance of fraud or misrepresentation constitutes no basis for relief at law or in equity and forms no excuse in favor of the party asserting that he made the mistake. *Utermehle v. Norment*, 197 U. S. 40.

<sup>1</sup> *Hunt v. Rousmanier's Adm'rs*, 8 Wheat. 174; 1 Pet. 1; 1 Am. Lead. Cas. 700; *Rogers v. Ingham*, 3 Ch. D. 351 (and see particularly the remarks of James, L. J., on p. 356, and of Mellish, L. J., on p. 357); *Champlin v. Laytin*, 18 Wend. 407; *Shotwell v. Murray*, 1 Johns. Ch. 512; *Newburgh Sav. Bk. v. Town of Woodbury*, 173 N. Y. 55; *McMurray v. St. Louis Co.*, 33 Mo. 377; *Peters v. Florence*, 38 Pa. 194; *Gwynn v. Hamilton*, 29 Ala. 233; *Rankin v. Mortimere*, 7 Watts, 372; *Good v. Herr*, 7 W. & S. 253; *Norris v. Crowe*, 206 Pa. 446; *Meckley's Estate*, 20 Pa. 478; *Gross v. Leber*, 47 Id. 520; *Menges v. Oyster*, 4 W. & S. 20; *McAninch v. Laughlin*, 13 Pa. 371; *Glenn v. Statler*, 42 Ia. 107; *Carpenter v. Jones*, 44 Md. 625; *Baker v. Baker*, 94 Md. 627; *Mills v. Miller*, 2 Woolw. (Neb.) 299; *Smith v. McDougal*, 2 Cal. 586; *State v. Reigart*, 1 Gill, 1; *Mellish v. Rob-*

*ertson*, 25 Vt. 603; *State ex rel. v. Britton*, 102 Ind. 214; *Goltra v. Sanasack*, 53 Ill. 456; *Lyon v. Sanders*, 23 Miss. 530; *Dill v. Shaban*, 25 Ala. 694; *Wintermute v. Snyder*, 17 N. J. Eq. 498; *Hampton v. Nicholson*, 23 Id. 427; *Trigg v. Read*, 5 Humph. 529; *Storrs v. Barker*, 6 Johns. Ch. 166; *Freeman v. Curtis*, 51 Me. 140; *Brown v. Armistead*, 6 Rand. 594; *Ferguson v. Ferguson*, 1 Geo. Dec. 135; *Atlanta Trust & Bkg. Co. v. Nelms*, 116 Ga. 915; *Hoover v. Reilly*, 2 Abb. (U. S.) 471; *Throckmorton v. Throckmorton*, 91 Va. 42; see *Worley v. Tuggle*, 4 Bush, 168; *Midland Great Western Ry. Co. v. Johnson*, 6 H. L. Cas. 798; *City of Broken Bow v. Broken Bow Water Works Co.*, 57 Neb. 548; *Atherton v. Roche*, 192 Ill. 252; *Word v. Davis*, 107 Ga. 780; *Hereu v. Hereu*, 6 Ariz. 281; *Utermehle v. Norment*, 197 U. S. 40.

<sup>2</sup> *Story's Eq., ubi supra*; *Snell v. Ins. Co.*, 98 U. S. 90, 91; *Griswold v. Hazard*, 141 Id. 284; *Allcard v. Walker* [1896], 2 Ch. 381; *Ledyard v. Phillips*, 32 Mich. 13; *Eastman v. Provident Assoc'n*, 65 N. H. 176; *Park v. Blodgett*, 64 Conn. 28; *Parish v. Camplin*, 139 Ind. 1; *Filker v. Mowry*, 69 N. H. 164.



they will constitute ground for relief in equity, are illustrated by two decisions of the Supreme Court of the United States.

The first of these is the leading case of *Hunt v. Rousmanier's Administrators*.<sup>1</sup> There a letter of attorney to execute a bill of sale of a ship was taken by a creditor from a debtor, under the distinct impression, induced by the advice of counsel, that it would be as valid a security, under all circumstances, as a mortgage. The debtor subsequently died; and as the letter of attorney was revoked by his death, the security of the creditor was invalidated. It was held that the misapprehension of the parties as to the legal effect of the instrument was no ground for relief; and it was said that it would be unprecedented for a court of equity to decree another security to be given under such circumstances.

The other decision is *Griswold v. Hazard*.<sup>2</sup> In that case one Durant, a citizen and resident of New York, was arrested under a writ of *ne exeat* while temporarily at Newport, Rhode Island. To obtain a release from custody under the writ, he executed a bond, with Griswold and Bradford as sureties, the condition of which was that Durant should "abide and perform the orders and decrees of the Supreme Court of the State of Rhode Island in the suit in equity of Isaac P. Hazard and others against the said Durant," then pending in said court. In that suit a decree was, fourteen years afterwards, obtained for a very large sum; the amount called for by the decree was not paid by Durant; and thereupon an action at law was brought on the bond against Griswold and a judgment recovered. Pending this common-law action on the bond, bills in equity were filed by Griswold for an injunction to restrain the proceedings at law. It was alleged in these bills that Griswold "had intended to sign and believed, at the time, that he signed a bond which simply bound him for the *appearance* of Durant," and that its execution in its actual form was the result of mistake. The Supreme Court held (reversing the decree below) that the alleged mistake was clearly established by the proofs, that under the circumstances Griswold was entitled to relief against this mistake of law, and that the action on the bond should be perpetually enjoined. The ground of the decision was distinctly that of mistake as to the legal effect

<sup>1</sup> 8 Wheat. 174; 1 Pet. 1, 3, 14. See, also, *Eldridge v. Dexter & Pisco*, 88 Me. 191; *Porter v. Jefferies*, 40 S. Car. 92.

<sup>2</sup> 141 U. S. 260, 284.

of the paper;<sup>1</sup> and the difference between the two classes of cases, referred to above, was expressly recognized.<sup>2</sup>

In the class of which *Hunt v. Rousmanier's Administrators* is the type, fall the authorities mentioned in the note to the beginning of this section;<sup>3</sup> and of these *Rogers v. Ingham*<sup>4</sup> may be considered the leading modern English case. There an executor, acting on the advice of counsel on the construction of a will, proposed to divide a fund between two legatees in certain proportions. One of the legatees, being dissatisfied, took the opinion of counsel, which agreed with the former opinion. The executor then divided and paid over the fund in accordance with the opinions. The dissatisfied legatee afterwards filed a bill, alleging that the will had been mistakenly construed; but it was held that the mistake afforded no ground for relief. "Where people," said Lord Justice James, "have knowledge of all the facts and take advice, and, whether they get proper advice or not, the money is divided and the business is settled, it is not for the good of mankind that it should be re-opened by one of the parties saying, 'You have received your money by mistake. I acquiesced in your receipt of it under that mistake, and, therefore, I ask you to give it to me back.'"<sup>5</sup>

On the other hand, in the class of cases of which *Griswold v. Hazard*<sup>6</sup> is an example, may fall such decisions as that in *Lansdown v. Lansdown*.<sup>7</sup> In that case the eldest of three brothers divided lands, of which the second brother had died seised, with the youngest, under the mistaken impression, confirmed by a friend of both parties, who had been consulted, that land could not ascend, and that he was not, therefore, his brother's heir. It was held that he was entitled to relief.<sup>8</sup>

<sup>1</sup> See 141 U. S. 286.

<sup>2</sup> Id. 284. See, also, *Wilson v. Ott*, 173 Pa. 253; *Lee v. Percival*, 85 Iowa, 639; *Renard v. Clink*, 91 Mich. 1; *Hopwood v. McCausland*, 120 Ia. 218.

<sup>3</sup> *Ante*, p. 292. See, also, *Zollman v. Moore*, 21 Gratt. 320; *Broadwell v. Broadwell*, 1 Gilm. 599; *Allen v. Elder*, 76 Ga. 674; *Calverly v. Harper*, 40 Ill. App. 96.

<sup>4</sup> 3 Ch. Div. 351. See *Allcard v. Walker* [1896], 2 Ch. 381.

<sup>5</sup> See *Rogers v. Ingham*, 3 Ch. Div.

351; *Brett's Lead. Cas. in Eq. (Am. ed.)* 131; *Phillips's Ex'r v. McConica*, *Guardian*, 59 Ohio, 1.

<sup>6</sup> *Supra*, p. 293.

<sup>7</sup> *Mosley*, 364. See, also, *Eaglesfield v. Marquis of Londonderry*, 4 Ch. D. 693 (opinion of Jessel, M. R.); *Thompson v. Eastwood*, 2 App. Cas. 215; *Shear v. Robinson*, 18 Fla. 379; *Kornegay v. Everett*, 99 N. C. 30; *Haussman v. Burnham*, 59 Conn. 117; *Standard Oil Co. of Kentucky v. Hawkins*, 46 U. S. App. 115.

<sup>8</sup> See the remarks of Chief Justice

It has been suggested by a very distinguished Equity Judge, Lord Westbury, that the conflicting cases in regard to the application, in equity, of the maxim *ignorantia juris non excusat* might be reconciled by considering that a distinction exists between "*jus*" as used to indicate general law, and the same word when employed to denote private right.<sup>1</sup> But a pure mistake of law in reference to individual rights would seem to be, properly, no more remediable in equity than a pure mistake as to public law; and if, on the other hand, there were circumstances which would prevent the application of the maxim in cases of individual rights, those same circumstances would be equally effective in justifying relief when mistakes are made in the rules of general law. The distinction suggested by Lord Westbury cannot, therefore, be considered sound.<sup>2</sup> It may be added, just here, that a mistake of the law of another state is a mistake of *fact*.<sup>3</sup>

### 188. Misrepresentation and Surprise.

The true conclusion, as to the general rule, would seem to be that equity will not interfere in the case of a pure mistake of law; but that any additional circumstances will readily be laid hold of by the court, as constituting sufficient grounds for interposition.<sup>4</sup> Thus, where ignorance of the law exists on one side, and that ignorance is known and taken advantage of by the other

Marshall on this case in *Hunt v. Rousmanier's Adm'rs*, 8 Wheat. 215. See, also, *Snell v. Ins. Co.*, 98 U. S. 90, 91; *Bigelow v. Barr*, 4 Ohio, 358, and *Williams v. Champion*, 6 Id. 169; *Lee v. Percival (Ia.)*, 52 N. W. Rep. 543; *Clark v. Hershey*, 52 Ark. 473.

<sup>1</sup> *Cooper v. Phibbs*, 2 H. L. Cas. 170. See, also, *Beauchamp v. Winn*, L. R. 6 H. L. 234; *Jones v. Clifford*, 3 Ch. D. 779; *Allcard v. Walker* [1896], 2 Ch. 381; *Kerr on Fraud and Mistake*, 398 (Bump's ed.); *Matlock v. Glover*, 63 Tex. 231; *Toland v. Corey*, 6 Utah, 392. If the fee-simple owner of a tract of land, in ignorance of his rights, honestly believes that he owns only an undivided one-third interest therein, and sells and conveys his whole interest to the person claiming to own the other two-thirds

thereof, this presents a case of mutual mistake against which equity will grant relief. Generally a mistake of law, pure and simple, is not an adequate ground for relief, but the maxim that ignorance of the law is no excuse is confined to mistakes of the general rules of law, and has no application to the mistakes of persons as to their own private legal rights and interests. The latter stand on the footing of mistakes of fact and furnish ground for equitable relief. *Burton v. Haden*, 108 Va. 51.

<sup>2</sup> See the authorities cited on p. 292, under the cases of the *Hunt v. Rousmanier* type, and *Sears v. Grand Lodge*, 163 N. Y. 374.

<sup>3</sup> *Morgan v. Bell*, 3 Wash. St. 554.

<sup>4</sup> *Haviland v. Willets*, 141 N. Y. 35; *Spurlock v. Brown*, 91 Tenn. 241.

party, the former will be relieved. More particularly will this be so, if the mistake was encouraged or induced by misrepresentation of the other party.<sup>1</sup>

Relief is sometimes given, also, in cases of surprise—that is, where parties have entered into arrangements unadvisedly and improvidently, and without due deliberation;<sup>2</sup> so, also, in some cases where the law is confessedly doubtful, and the question is one about which ignorance may well be supposed to exist.<sup>3</sup>

### 189. Compromises of doubtful rights ; family arrangements.

But *compromises* of doubtful rights are favored both in equity and at law, and no relief can be had if it afterwards turns out that the right surrendered was entirely valid and capable of assertion. It has been truly said that every compromise of a right necessarily implies that the party possesses *some* right which is surrendered; and he shall not, therefore, afterwards be heard to complain, if it subsequently appears that his right was more certain and well settled than it was at first supposed to be.<sup>4</sup> Family compromises, especially if they are made in good faith and with full disclosure, are favored in equity, and may be sustained by the court, "albeit, perhaps, resting upon grounds which would not have been considered satisfactory if the transaction had occurred between strangers."<sup>5</sup>

<sup>1</sup> *Scholefield v. Templer*, 4 De G. & J. 429; *Cooper v. Phibbs*, L. R. 2 H. L. 149; *Whelen's App.*, 70 Pa. 425; *Wheeler v. Smith*, 9 How. 55; *Metropolitan Bank v. Godfrey*, 23 Ill. 579; *Bryan v. Masterson*, 4 J. J. Marsh. 225; *Hardigree v. Mitchum*, 51 Ala. 154; *Bali v. Hunt*, 77 Ind. 355; *Schuttler v. Brandfass*, 41 W. Va. 201; *Kerr on Fraud and Mistake*, 400; *Marsh v. McNair*, 48 Hun, 117; *Rauen v. Ins. Co.*, 129 Ia. 725.

<sup>2</sup> *Pusey v. Desbouvrie*, 3 P. Wms. 315; *Evans v. Llewellyn*, 2 Bro. C. R. 150; 1 Cox, 333; *Billings v. Aspen Mining Co.*, 10 U. S. App. 1.

<sup>3</sup> *Cumberland Co. v. Sherman*, 20 Md. 117; *Champlin v. Laytin*, 18 Wend. 407; *Garner v. Garner*, 2 Dess. 437; *Freeman v. Curtis*, 51 Me. 140;

*Moreland v. Atchison*, 19 Tex. 303; *Green v. Morris R. R. Co.*, 12 N. J. Eq. 165; *Martin v. N. Y. S. & C. R. Co.*, 36 Id. 109; *Haden v. Ware*, 15 Ala. 149; *Reservoir Co. v. Chase*, 14 Conn. 123.

<sup>4</sup> *Kerr on Fr. & M.* 403; *Hennessy v. Bacon*, 137 U. S. 78; *Trigg v. Read*, 5 Humph. 529; *Good v. Herr*, 7 W. & S. 253; *Taylor v. Patriek*, 1 Bibb, 168; *Durham v. Wadlington*, 2 Strob. Eq. 258; *Brandon v. Medley*, 1 Jon. Eq. 313; *Bell v. Lawrence*, 51 Ala. 160; *Clifton v. Cockburn*, 3 My. & K. 76; *Bentley v. Mackay*, 31 Beav. 143; *Powell v. Heisler*, 16 Or. 412; note to *Stapilton v. Stapilton*, 2 Lead. Cas. Eq. 1710 *et seq.*

<sup>5</sup> *Westby v. Westby*, 2 D. & War. 503, 525; *Lies v. Stub*, 6 Watts, 48;

But while such a compromise is to be regarded with favor, yet when the party setting it up comes in to ask the *active* interference of a court of equity for its enforcement, relief will not be granted unless the case falls within the rules which regulate bills for specific performance. If the terms of the arrangement are unconscionable, or the evidence shows that the minds of the parties have not, in fact, come together, relief will be refused.<sup>1</sup>

It appears to be settled by the authorities that money paid under a mistake of law cannot be recovered back either in equity or at law.<sup>2</sup>

The court will not interfere where the parties cannot be restored to their original position, or where the rights of *bona fide* purchasers, without notice, have intervened.<sup>3</sup>

### 190. Mistakes of Fact; different kinds.

A mistake of fact is a mistake not caused by the neglect of legal duty on the part of the person making the mistake, and consisting in an unconsciousness, ignorance, or forgetfulness of a fact past or present, material to the transaction; or in the belief in the present existence of a thing material to the transaction which does not exist; or in the past existence of a thing which has not existed.<sup>4</sup> But a mistake as to the probability of the occurrence of a future event is not a mistake of fact.<sup>5</sup>

The power of a court of equity to correct mistakes of fact is a very wide and general one.<sup>6</sup> Relief, when deeds or other in-

Shartel's Appeal, 64 Pa. 25; Burkholder's Appeal, 105 Id. 39; Wilen's Appeal, Id. 121; Chandler v. Pomeroy, 143 U. S. 318; Dakin v. Rumsey, 104 Mich. 636; Korne v. Korne, 30 W. Va. 1; Price v. Price, 133 N. C. 494.

<sup>1</sup> Wistar's Appeal, 80 Pa. 484; McHarry v. Irvin, 85 Ky. 322. See, also, Hickman v. Berens [1895], 2 Ch. 638.

<sup>2</sup> Kerr on Fraud and Mistake, 401, 402; Rogers v. Ingham, 3 Ch. D. 351, 356, 357; Currie v. Goold, 2 Mad. 164. See, also, Railroad Co. v. Soutter, 13 Wall. 524; Bank of U. S. v. Daniel, 12 Pet. 32; Haven v. Foster, 9 Pick. 112; Pinkham v. Gear, 3 N. H. 163; Hubbard v. Martin, 8 Yerg. 498; Ege

v. Koontz, 3 Pa. 109; Miles v. Stevens, Id. 21; Jones v. Watkins, 1 Stew. 81; Clarke v. Dutcher, 9 Cow. 674; Campbell v. Clark, 44 Mo. App. 249; Manuf. Nat. Bank v. Swift, 70 Md. 515.

<sup>3</sup> Kilpatrick v. Strizier, 67 Ga. 247; Lowe v. Allen, 68 Id. 225; Cass Co. v. Oldham, 75 Mo. 50; Hewitt v. Powers, 84 Ind. 295; Kerr on Fr. & M. 436; Neal v. Reynolds, 38 Kan. 432; Fink v. Farmers' Bank, 178 Pa. 154; Pittsburg Iron Co. v. Lake Superior Iron Co., 118 Mich. 109; Barton v. Mayers, 183 Ill. 360; Cole v. Fickett, 95 Me. 265.

<sup>4</sup> Kerr on Fraud and Mistake, 406.

<sup>5</sup> Parke v. Boston, 175 Mass. 464.

<sup>6</sup> Williams v. United States, 138

struments are executed by mistake or inadvertence, as well as upon false suggestions, is a common head of equity jurisdiction,<sup>1</sup> and may be said to exist (subject to the qualifications hereafter mentioned) in all cases in which there is not a complete remedy at law. The adequacy of the common-law remedy is probably the best test of the jurisdiction. Thus (to illustrate by two cases in Illinois) a bill has been sustained to correct a mistake in a master's deed in a foreclosure proceedings;<sup>2</sup> whereas relief in the case of an attachment bond has been refused—the legal remedy being adequate.<sup>3</sup>

The mistake may consist either in the circumstance that the instrument by which the parties designed to express their intention does not so express it, or does not express it accurately; or in the circumstance that the intention of the parties, though correctly expressed, has, nevertheless, been reached through some misapprehension or ignorance. In one case the intention is erroneously expressed; in the other the intention is founded upon error. The relief pertinent to the first case is correction; to the second, rescission.<sup>4</sup>

Thus, where there was an agreement that part of the purchase-money of certain real estate should be paid by a judgment note for a certain sum "with interest," and the words "with interest" were omitted from the note by the mistake of the scrivener by whom it was written, it was held that this was such a mistake as equity would correct. The intention of the parties had not been accurately expressed.<sup>5</sup>

U. S. 517; *Riegel v. Insurance Co.*, 140 Pa. 203; 153 Id. 134.

<sup>1</sup> *Hughes v. United States*, 4 Wall. 236; *Germania Iron Co. v. United States*, 165 U. S. 383; *Riegel v. Ins. Co.*, 153 Pa. 134.

<sup>2</sup> *Foster v. Clark*, 79 Ill. 225; following *De Reimer v. Cantillon*, 4 Johns. Ch. 85. See, also, *Roberts v. Taliaferro*, 7 Ia. 111; *Ehleringer v. Moriarty*, 10 Id. 78.

<sup>3</sup> *Craft v. Dickens*, 78 Ill. 131. See *Puterbaugh v. Elliott*, 22 Id. 157.

<sup>4</sup> See *Snell v. Insurance Co.*, 98 U. S. 85; *Thompson v. Insurance Co.*, 136 Id. 296; *Hurd v. Hall*, 12 Wis. 112; *Andrews v. Andrews*, 81 Me. 337;

*Kyner v. Boll*, 182 Ill. 171; *Orr v. Echols*, 119 Ala. 340; *Curtis v. Albee*, 167 N. Y. 360.

<sup>5</sup> *Gump's Appeal*, 65 Pa. 476. See, also, *Talley v. Courtney*, 1 Heisk. 715; *Newcomer v. Kline*, 11 Gill. & J. 457; *Hathaway v. Brady*, 23 Cal. 121; *Russell v. Mixer*, 42 Id. 475; *Keith v. Globe Ins. Co.*, 52 Ill. 518; *Harrison v. Jameson*, 3 J. J. Marsh. 232; *Rigbee v. Trees*, 21 Ind. 227; *Groff v. Rohrer*, 35 Md. 327; *Boulden v. Wood*, 96 Md. 332; *Glass v. Hulbert*, 102 Mass. 34; *Stockbridge Iron Co. v. The Hudson Iron Co.*, Id. 48; *Hamilton v. Asslin*, 14 S. & R. 448; *Gower v. Sterner*, 2 Whart. 75; *Farm-*

So, again, where it is shown that the intention of the parties was that the instrument should be under seal, but the seals were omitted by mistake, a Court of Chancery will direct them to be affixed.<sup>1</sup> And so where a mortgage has been cancelled or satisfied by mistake, its lien will be restored.<sup>2</sup>

On the other hand, when there is a settlement of accounts made between parties which correctly expresses their intention,

ers' and Drovers' Bank v. Fordyce, 1 Pa. 456; *Chalfant v. Williams*, 35 Id. 212; *Huss v. Morris*, 63 Id. 372; *Jenkins v. Davis*, 141 Id. 276; *Scales v. Ashbrook*, 1 Metc. 358 (Ky.); *Dennis v. North. Pac. Ry. Co.*, 20 Wash. 320; *Worley v. Tuggle*, 4 Bush, 168; *Mills v. Lockwood*, 42 Ill. 111; *Dinwiddie v. Self*, 145 Id. 290; *Purvines v. Harrison*, 151 Id. 219; *Waterman v. Dutton*, 6 Wis. 265; *Deford v. Mercer*, 24 Ia. 118; *Doty v. Judson*, 2 Root, 427; *Gay v. Adams*, 1 Id. 105; *Bundy v. Sabin*, 2 Id. 209; *Willis v. Gattman*, 53 Miss. 721; *Beaumont v. Bramley*, T. & R. 41; 1 Sug. V. & P. 262 (171). Such a mistake can properly be dealt with in equity alone. *Long v. Hartwell*, 34 N. J. 116, 128; *Houston v. Faul*, 86 Ala. 232; *Knight v. Glasscock*, 51 Ark. 390; *Born v. Schrenkeisen*, 110 N. Y. 55; *Scraper Co. v. Stickleman*, 122 Ia. 396; *Wall v. Meilke*, 89 Minn. 232; *Wirsching v. Grand Lodge*, 67 N. J. Eq. 711; *Richmond v. Ogden Ry. Co.*, 44 Oreg. 48.

<sup>1</sup> *Henkleman v. Peterson*, 154 Ill. 419.

<sup>2</sup> *Pearce v. Buell*, 22 Oreg. 29; followed in *Kern v. Hotaling*, 27 Id. 205; *Ricker v. Scott*, 13 So. D. 208; *Woodhurst v. Cramer*, 29 Wash. 40; *Laconia Savings Bank v. Vittum*, 71 N. H. 465; *White v. Stevenson*, 144 Cal. 109. A court of equity will not decree the correction of an alleged mistake in a voluntary conveyance. *Henry v. Henry*, 215 Ill. 206.

A mistake by a dealer in adding

up the various items of the selling price of material upon which he had been asked to furnish an estimate, does not justify a court of equity in cancelling a contract to furnish such material based upon the other parties' acceptance of the proposition to furnish the same for the amount represented by the erroneous total. "A mistake which will justify relief in equity must affect the substance of the contract, and not a mere incident or the inducement for entering into it. The mistake of the appellants did not relate to the subject-matter of the contract, its location, identity, or amount, and there was neither belief in the existence of a fact which did not exist, or ignorance of any fact material to the contract which did exist. The contract was exactly what each party understood it to be, and it expressed what was intended by each. If it can be set aside on account of the error in adding up the amounts representing the selling price, it could be set aside for a mistake in computing the percentage of profits which appellants intended to make, or on account of a mistake in the cost of the lumber to them, or any other miscalculation on their part. If equity would relieve on account of such a mistake there would be no stability in contracts, and we think the mistake was not of such a character as to entitle appellants to the relief prayed." *Steinmeyer v. Schroepfel*, 226 Ill. 9.

but which is founded on error, the settlement will be set aside.<sup>1</sup> The appropriate relief in cases of mistake is sometimes solely in equity, and no action at law will lie. Thus, where a parcel of ten acres was omitted from a conveyance, either through mistake or fraud, it was held that the purchaser might have the deed reformed or might reasonably rescind the contract, but could not sue in *assumpsit* to recover back a proportionate part of the price.<sup>2</sup>

**191. Must be mutual, material, and not induced by negligence.**

The mistake, to be relieved against in equity, must be one that is mutual, material, and not induced by negligence.<sup>3</sup> It must be mutual, if the complainant wishes to have the instrument *reformed* and not simply set aside, because equity cannot undertake to *reform* on the ground of ignorance or misapprehension of *one* of the parties as to any facts, though it may rescind.<sup>4</sup> It is essential, as has been said by the Supreme Court of Michigan, that the mistake to be relieved against in equity must

<sup>1</sup> Adams Eq. 384; McCrae v. Hollis, 4 Dess. 122; Waggoner v. Minter, 7 J. J. Marsh. 175; Barnett v. Barnett, 6 Id. 499; Monnin v. Beroujon, 51 Ala. 196; Stuart v. Sears, 119 Mass. 143; Russell v. The Church, 65 Pa. 9; Stines v. Hays, 36 N. J. Eq. 364. See, further, as to mistake, Leek v. Cowley, 10 S. & R. 176; Horbach v. Gray, 8 Watts, 492; Jenks v. Fritz, 7 W. & S. 201; Bishop v. Reed, 3 Id. 261; Worsely v. Burlington Ins. Co., 74 Ia. 464.

<sup>2</sup> Rand v. Webber, 64 Me. 191. If the omission were occasioned by fraud, an action for deceit would lie in such a case. Id.

<sup>3</sup> Cleghorn v. Zumwalt, 83 Cal. 155; Baker v. Pyatt, 108 Ind. 61. See Paulison v. Van Iderstine, 28 N. J. Eq. 306, for an illustration of the limitations upon the doctrine of relief in equity on the ground of mistake. Dougherty v. Dougherty, 204 Mo. 228; Marshall v. Homier, 13 Okla. 264.

<sup>4</sup> Lyman v. United Ins. Co., 17

Johns. 377; Nevius v. Dunlap, 33 N. Y. 676; Christopher Street Ry. Co. v. Twenty-third Street Ry. Co., 149 N. Y. 51; Cooper v. The Farmers' Ins. Co., 50 Pa. 299; Evarts v. Steger, 5 Oreg. 147; King v. Holbrook, 38 Oreg. 452; Thornton v. Krimbel, 28 Id. 271. See, also, Bentley v. Mackey, 31 Beav. 151; Scott v. Coulson [1903], 1 Ch. 452; Sawyer v. Hovey, 3 Allen, 331; Quincy v. Chute, 156 Mass. 189; Woodbury Savings Bank v. The Insurance Co., 31 Conn. 517; Diman v. Providence R. Co., 5 R. I. 130; White v. C. Nat. Bank, 64 N. Y. 316; Mead v. Westchester Fire Ins. Co., Id. 453; Morris v. Penrose, 38 N. J. Eq. 629; Sells v. Sells, 1 Dr. & Sm. 42; Probett v. Walters, 70 Mich. 437; Ford v. Daniells, 71 Id. 77; Hartford Ins. Co. v. Haas, 87 Ky. 531; Vail v. Reynolds, 51 Hun, 468; Keister v. Myers, 115 Ind. 312; Critchfield v. Kline, 39 Kan. 721; Dod v. Paul, 43 N. J. Eq. 302; Travellers' Ins. Co. v. Henderson, 32 U. S. App. 536; Moffett, etc., Co. v. City of Rochester, 33 C. C. A.



be an error on both sides.<sup>1</sup> If, however, such ignorance or misapprehension was induced or fraudulently taken advantage of by the other party, relief will be administered, but obviously on different grounds.<sup>2</sup> Still less can a chancellor grant redress in a case where a party finds that his motives for entering into a contract were mistaken, or his expectations unfounded.<sup>3</sup> This is especially the case where the means of information are equally open to both parties;<sup>4</sup> or the subject-matter of the agreement is of a doubtful character.<sup>5</sup>

The mistake must be material, because the court will not interpose its extraordinary relief for slight errors in matters which are not of importance. As misrepresentation will not vitiate a contract unless it relates to something which is a material inducement to the party to act,<sup>6</sup> so a mistake will not justify a man in seeking equitable relief if it is a mistake relating to some trivial matter, which did not substantially influence his action.<sup>7</sup> It must be something which, if uncorrected, would tend to work injustice.<sup>8</sup>

A mistake will not be relieved against if it is the result of the

317; *Dewey v. Whitney*, 35 C. C. A. 414; *Stewart v. Gordon*, 60 Ohio, 170; *Hertsler v. Stevens*, 119 Ala. 333; *Scott v. Hall*, 58 N. J. Eq. 42; *Keene v. Demelman*, 172 Mass. 17; *Corbett v. Craven*, 196 Mass. 319; *Wirsching v. Grand Lodge* 67 N. J. Eq. 711; *Forester v. Van Auken*, 12 N. D. 175; *Miller v. Stuart*, 107 Md. 23. *post*, Part III., chapter on Reformation and Cancellation.

<sup>1</sup> *Ludington v. Ford*, 33 Mich. 123; *Balen v. Ins. Co.*, 67 Mich. 179; *Barth v. Deuel*, 11 Colo. 494; *McCusker v. Spier*, 72 Conn. 628; *German Savings Bank v. Geneser*, 116 Ia. 119. The rule that a mistake to be susceptible of correction, must be mutual, does not mean that both parties must agree on the hearing that the mistake was in fact made, but that the evidence of mutuality in the mistake should relate to the time of the execution of the instrument and show that at that particular time the parties intended to say a certain thing

and by mistake of fact expressed another. *Matthews v. Whitethorn*, 220 Ill. 36.

<sup>2</sup> See *Welles v. Yates*, 44 N. Y. 525; *Maher v. Hibernia Ins. Co.*, 67 Id. 285; *Harding v. Egin*, 2 Tenn. Ch. 39; *Roszell v. Roszell*, 109 Ind. 354; *Cook v. Liston*, 192 Pa. 19; *Thayer v. Knotte*, 59 Kan. 181; *Cox v. Beard*, 75 Kan. 369.

<sup>3</sup> A court, however, may, under such circumstances, refuse to lend its aid to the other party seeking specific performance. *Post*, Part III., Chap. I., § 376; *Mays v. Dwight*, 82 Pa. 462.

<sup>4</sup> See *Western German Savings Bank v. Farmers' and Drovers' Bank*, 10 Bush, 669; *Shriver v. Garrison*, 30 W. Va. 456; *Story's Eq. Jurisp.* § 150.

<sup>5</sup> *Perkins v. Gay*, 3 S. & R. 327.

<sup>6</sup> See *post*, Chap. II.

<sup>7</sup> See *McFerran v. Taylor*, 3 Cranch, 281 (remarks of Ch. J. Marshall); *Kerr on Fraud and Mistake*, 408.

<sup>8</sup> *Henderson v. Dickey*, 35 Mo. 120; *Bigham v. Madison*, 103 Tenn. 358.

party's own negligence,<sup>1</sup> or that of his attorney;<sup>2</sup> or if it is occasioned by the forgetfulness of the party or of his agent.<sup>3</sup> Thus, if he has had a complete defence or remedy at law, he cannot, if he has neglected to avail himself of it there, have any relief in equity.<sup>4</sup> And under the same head should be classed mistakes into which a person has fallen, because he has not made use of the means of inquiry which were open to him;<sup>5</sup> as (for instance) where he has not taken the trouble to read the paper which he was executing.<sup>6</sup> Reasonable diligence, however, is all that is required, and a party will not be deprived of his right to equitable relief simply because he has not exercised the highest possible degree of care.<sup>7</sup> Moreover, even negligence may not, in all cases, close the doors of chancery against a complainant; for if the position of the other party has not been changed in consequence thereof, relief may be granted.<sup>8</sup>

There can be no relief on the ground of mistake when the subject-matter of the contract is necessarily, and by its very nature, of a doubtful or uncertain kind.<sup>9</sup>

<sup>1</sup> *Duke of Beaufort v. Neeld*, 12 Cl. & Finn. 248, 286; *Leuty v. Hillas*, 2 De G. & J. 110; *Susquehanna Mut. Fire Ins. Co. v. Swank*, 102 Pa. 17; *Western R. Co. v. Babcock*, 6 Met. 346; *Ferson v. Sanger*, 1 Wood & Min. 138; *Wood v. Patterson*, 4 Md. Ch. 335; *Diman v. Providence R. Co.*, 5 R. I. 130; *Haggerty v. McCanna*, 25 N. J. Eq. 48; *Dillett v. Kemble*, Id. 66; *Voorhis v. Murphy*, 26 Id. 434; *Heath v. Jones*, 12 Ill. App. 493; *Lamb v. Harris*, 8 Ga. 546; *Iverson v. Willburn*, 65 Id. 103; *Smith v. Wheeler*, 58 Ia. 659; *Lewis v. Lewis*, 5 Oreg. 169; *Ellison v. Fox*, 38 Minn. 454; *Shriver v. Garrison*, 30 W. Va. 456; *Woodside v. Lippold*, 113 Ga. 877; *Keith v. Brewster*, 114 Id. 176; *Grieve v. Grieve*, 15 Wyo. 358.

<sup>2</sup> *Heath v. Jones*, 12 Ill. App. 493.

<sup>3</sup> *Barrow v. Isaacs* [1891], 1 Q. B. 417; and see the remarks of Esher, M. R., on p. 420, and of Kay, L. J., on p. 427.

<sup>4</sup> *Stephenson v. Wilson*, 2 Vern. 325.

<sup>5</sup> See *Kerr on Fraud and Mistake*, 407; *Hill v. Bush*, 19 Ark. 522; *Penny v. Martin*, 4 Jones Ch. 566; *Butman v. Hussey*, 30 Me. 263; *Juzan v. Toulmin*, 9 Ala. 662.

<sup>6</sup> *Greenfield's Estate*, 14 Pa. 489; *Penna. R. Co. v. Shay*, 82 Id. 198; *Glenn v. Statler*, 42 Ia. 110; *Roundy v. Kent*, 75 Id. 662; *Miller v. Powers*, 119 Ind. 79; *Jossey v. Ga. Southern Ry. Co.*, 109 Ga. 439; *Walton Guano Co. v. Copelan*, 112 Ga. 319; *Snelgrove v. Earl*, 17 Utah, 321; *Kelly v. Ward*, 94 Tex. 289; *Ferrell v. Ferrell*, 53 W. Va. 515.

<sup>7</sup> *Snyder v. Ives*, 42 Ia. 162; *McKibben v. Doyle*, 173 Pa. 579; *Werner v. Rawson*, 89 Ga. 619.

<sup>8</sup> *Mayer v. The Mayor of New York*, 63 N. Y. 455; *Onondaga County Savings Bank v. United States*, 26 U. S. App. 377; *Eberle v. Heaton*, 124 Mich. 205; *Hoops v. Fitzgerald*, 204 Ill. 325.

<sup>9</sup> *Mortimer v. Capper*, 1 Bro. C. C. 156; *Ridgway v. Sneyd*, Kay, 627; *Baxendale v. Seale*, 19 Beav. 601;

Nor will equity always relieve if a mistake has occurred in a family arrangement, designed to settle disputes and quiet titles. A family compromise, even if made under mistaken impressions as to facts, will not, generally, be disturbed. It is otherwise with compromises between strangers; for these, if based upon a mistake of fact, will be set aside.<sup>1</sup>

### 192. Defective execution of powers.

The occasions which call for the interposition of equity on the ground of mistake are, of course, very numerous, and it would not be possible, even if it were desirable, to enumerate them all without, in fact, giving a digest of the reported decisions under this head. There is, however, one class of cases in which the equitable doctrine is of an anomalous character and requires particular notice, and that is the defective execution of powers. This subject was referred to under the head of "Accident;" and it is well established that in the case of mistake, as well as in that of accident, equity will relieve against certain defects in the execution of a power in favor of certain persons and as against others, if these latter do not stand in an equally meritorious position. It will be observed that the above statement naturally suggests the questions—first, what defects may be remedied; second, for whose benefit; and third, as against whom?

### 193. What defects may be remedied.

And, first, what defects may be remedied? Equity will not interfere in the case of a *non-execution* of a power. It will correct defects in an attempted execution; but it will not supply an execution if none has been attempted.<sup>2</sup> The reason for the distinction is obvious. The jurisdiction which equity has assumed to aid in the *defective* execution of powers is based upon the theory that the donee of the power has *intended* to exercise it, but has been prevented from doing so by some accident or mistake;<sup>3</sup> and equity will not, in such a case, suffer a substantial intention to be defeated for the sake of a mere form. But where there has

Kowalke v. Milwaukee Electric, etc., Co., 103 Wis. 472; H. & T. C. Ry. Co. v. McCarty, 94 Tex. 298.

<sup>1</sup> Stockley v. Stockley, 1 V. & B. 23; Kerr on Fraud and Mistake, 434.

<sup>2</sup> Johnson v. Cushing, 15 N. H. 298; Howard v. Carpenter, 11 Md.

259; Wilkinson v. Getty, 13 Ia. 157; See Norcum v. D'Ench, 17 Mo. 98; Brown v. Phillips, 16 R. I. 612; note to Tollet v. Tollet, 1 Lead. Cas. Eq. 381 (4th Am. ed.); Sayer v. Humphrey, 216 Ill. 426.

<sup>3</sup> Barr v. Hatch, 3 Ohio, 527.

been no exercise of the power at all, no intention to exercise it can be presumed; and, therefore, the ground for the interference of the chancellor does not exist.

The defects which will be aided in equity are of two kinds—first, where there has been an instrument executed from which an intention to exercise the power may be inferred, but the instrument itself is informal or inappropriate;<sup>1</sup> and, second, where there has been a defective execution of a formal and appropriate instrument.

Of the first class of defects the leading case of *Tollet v. Tollet* is an illustration. There, a power existed to make a jointure by deed. It was, in fact, made by will. It was, nevertheless, held that this exercise of the power was good.<sup>2</sup> So equity will lend its aid in many other cases in which the instrument is inappropriate, provided, always, there is a sufficient indication of the intention to exercise the power.<sup>3</sup>

Of the second class of defects which will be aided in equity, familiar instances are found in those cases in which the instrument by which the power is to be exercised is required to be executed in the presence of a certain number of witnesses, and is actually executed in the presence of a smaller number; or in which it is required to be signed and sealed, and sealing is omitted.<sup>4</sup> The rule will apply to any case in which there is an appropriate instrument, but in the execution of which there has been, through accident or mistake, some informality.

<sup>1</sup> See *In re Dykes' Estate*, L. R. 7 Eq. 337; note to *Tollet v. Tollet*, 1 Lead. Cas. Eq. 234 (4th Eng. ed.).

<sup>2</sup> While a power of appointment by deed is well exercised by will, the converse is not the case, and a power to appoint by will cannot be exercised by deed. The reason of this is that the donor of the power, in the latter case, is supposed to intend that the power shall be ambulatory during the life of the donee of the power, and that as this intention would be defeated by the execution of a deed, the power must be strictly pursued, and can be exercised only by will.

<sup>3</sup> *Garth v. Townsend*, L. R. 7 Eq. 220.

<sup>4</sup> See *Morse v. Martin*, 34 Beav. 500; note to *Tollet v. Tollet*, 1 Lead. Cas. Eq. 234 (365, 4th Am. ed.).

At common law a power or authority was not considered executed unless by some reference to the power or authority, or to the property which was the subject of it, or unless the provision made by the person intrusted with the power would have had nothing to operate upon except it were considered as an execution of such power or authority. In many states the common-law rule has been altered by statute, but when not so altered the common-law rule appears to be in force. *Lane v. Lane's Adm'x*, 4 Pennewill, 368 (Del.).

**194. For whose benefit.**

In the second place, in considering the question, "for whose benefit will equity lend its aid?" it may be stated, as a general rule, that mere volunteers will not be assisted, but that aid will be given to purchasers for value, mortgagees, lessees<sup>1</sup> (for mortgagees and lessees are purchasers *pro tanto*), creditors,<sup>2</sup> and persons who have a meritorious standing.<sup>3</sup> In this last class are included a charity,<sup>4</sup> a wife and a legitimate child, but none others.<sup>5</sup> Thus, the execution of a power will not be aided in favor of a husband,<sup>6</sup> an illegitimate child, a grandchild, a father, a mother, brother or sister, a nephew or niece, a cousin, or a settlor defectively executing a power in his own favor.<sup>7</sup> In some rare cases, however, equity will lend its aid even in favor of a volunteer; as, for instance, when the due execution of a power has become impossible.<sup>8</sup>

**195. Against whom.**

In the third place, equity will aid the defective execution of a power against a remainderman, and also, in general, against the heir-at-law. Whether it will be aided as against an heir-at-law who is unprovided for seems to be still undecided.<sup>9</sup> It will not be aided against a *bona fide* purchaser for value;<sup>10</sup> and this, indeed, is the general rule as to mistakes.<sup>11</sup>

Equity will not lend its aid if the intention of the donor of the power will thereby be defeated. This is the reason why a power required to be exercised by will cannot be duly exercised by deed.<sup>12</sup>

<sup>1</sup> Thorp v. McCullum, 1 Gilm. 615; Beatty v. Clark, 20 Cal. 11; Love v. The Sierra Nevada Mining Co., 32 Id. 653; Affleck v. Affleck, 3 Sm. & Giff. 394; *In re Dykes' Estate*, L. R. 7 Eq. 337; Taylor v. Wheeler, 2 Vern. 564; Jennings v. Moore, Id. 609; Campbell v. Leach, Ambl. 740; Shannon v. Bradstreet, 1 Sch. & Lef. 62; Dowell v. Dew, 1 Y. & C. Ch. 345; King v. Roney, 5 Ir. Ch. 64. See, also, Hout v. Hout, 20 Ohio St. 119.

<sup>2</sup> Bixby v. Eley, 2 Bro. C. C. 325; Wilkes v. Holmes, 9 Mod. 485.

<sup>3</sup> 1 Lead. Cas. Eq. 229 (4th Eng. ed.); note to Tollet v. Tollet; Schenck v. Ellingood, 3 Edw. Ch. 175.

<sup>4</sup> Pepper's Will, 1 Pars. Eq. 436, 446, 451.

<sup>5</sup> See Porter v. Turner, 3 S. & R. 114; Dennison v. Goehring, 7 Pa. 175.

<sup>6</sup> Breit v. Yeaton, 101 Ill. 242.

<sup>7</sup> 1 Lead. Cas. Eq. 231, 232. See, however, Huss v. Morris, 63 Pa. 367.

<sup>8</sup> Kerr on Fraud and Mistake, 444.

<sup>9</sup> 1 Lead. Cas. Eq. 233.

<sup>10</sup> Kerr on Fraud and Mistake, 443.  
<sup>11</sup> American Mfg. Co. v. O'Hara, 15 U. S. App. 79. See, however, Rogers v. Castle, 51 Minn. 428, and Fort Smith Milling Co. v. Mikles, 61 Ark. 123.

<sup>12</sup> Kerr on Fraud and Mistake, 442.

The equity under consideration will, it seems, be only exercised in favor of the intention of the donee of the power after his death. It will not be exercised in support of a conveyance *inter vivos*—except in the case of a purchaser for value. This seems to follow from the rule in regard to supplying surrenders of copyholds, which stands precisely on the same footing as the equity in regard to aiding defective execution of powers, and is governed by the same rules.<sup>1</sup>

As to the question of what powers will be aided, it may be sufficient to remark generally that they are those created by way of use as distinguished from bare authorities conferred by law. Acts done under authorities of this latter kind—as, for example, leases or conveyances by a tenant in tail—are only binding when regular and complete.<sup>2</sup>

While it is true, as a rule, that equity will not supply the non-execution of a power, it must be remembered that this will not apply to that particular class of powers (which have been already discussed) known as powers in trust. The exercise of such powers is obligatory; and, as has been explained in a former chapter, the non-execution by the donee is never allowed to defeat the intention of the settlor, or disappoint the beneficiaries for whose advantage the powers were created.

### 196. Miscellaneous cases.

Equity has jurisdiction to correct mistakes in awards, where the mistake appears on the face of the award, or is disclosed by some contemporaneous writing, or if the arbitrator voluntarily admits a mistake, or states circumstances which show clearly that the proceedings have been erroneous; but not otherwise.<sup>3</sup>

Equity has jurisdiction to correct mistakes in wills when they are apparent on the face of the will, or are made out by a due construction of its terms.<sup>4</sup>

Thus in *Home for Incurables v. Noble*, there was a “bequest” by will to the Hospital of the University of Pennsylvania of five thousand dollars, and a “devise and bequest” of the residuary estate to the Home for Incurables—both provisions being for the

<sup>1</sup> The jurisdiction to supply surrenders of copyholds is no longer of importance. The cases upon the subject, are, however, applicable to the subject of powers.

<sup>2</sup> *Kerr on Fraud and Mistake*, 331.

<sup>3</sup> *Id.* 447, 448; *Roosevelt v. Thurman*, 1 Johns. Ch. 225.

<sup>4</sup> *Id.* 448; 1 Story's Eq. Jurisp. §§ 179, 183. See *Mellish v. Mellish*, 4 Ves. 45; *Grimes v. Harmon*, 35 Ind. 208; *Davis v. Henry*, 121 Mass. 150.

purpose of establishing beds in hospitals in memory of the son of the testatrix. By a codicil the "bequest" of "five thousand dollars" to the "Home for Incurables" was revoked; and the "five thousand dollars heretofore in my said will bequeathed to the Home for Incurables" was given and bequeathed to one E. C. It was held that the description of the subject-matter of the bequest to E. C. was controlling, and that the intention of the testatrix was to take that particular bequest from the hospital of the University, and that the name of the Home for Incurables had been used by mistake.<sup>1</sup>

Equity will not grant relief in cases of mistake except upon very clear evidence.<sup>2</sup> Where it is admitted in the answer, there can, of course, be little difficulty in granting relief; but where the fact of mistake is denied in the answer, evidence to overcome such denial must be of the most persuasive character.<sup>3</sup> Nor will equity relieve, where the parties cannot be restored to their original status.<sup>4</sup>

In fine, relief will only be granted subject to the general considerations applicable to the equitable remedies of Cancellation and Reformation.<sup>5</sup>

<sup>1</sup> *Home for Incurables v. Noble*, 172 U. S. 384.

<sup>2</sup> *Ridgway's Account*, 206 Pa. 590; *Stoll v. Nagle*, 15 Wyo. 86.

<sup>3</sup> *Kennard v. George*, 44 N. H. 440; *Canedy v. Marcy*, 13 Gray, 373; *Beardsley v. Knight*, 10 Vt. 185; *Tripp v. Hasceig*, 20 Mich. 263; *Case v. Peters*, Id. 298; *Burgin v. Giberson*, 26 N. J. Eq. 77; *Ludington v. Ford*, 33 Mich. 123; *Burns v. Caskey*, 100

Id. 94; *Getman's Ex'rs v. Beardsley*, 2 Johns. Ch. 274; *Lyman v. United Ins. Co.*, 17 Johns. 377; *Lewis v. Lewis*, 5 Or. 169; *Hamlin v. Sullivan*, 11 Ill. App. 423.

<sup>4</sup> *Du Bois Boro. v. Waterworks*, 176 Pa. 430.

<sup>5</sup> Id. And see the remarks of Mitchell, J., on pp. 436 *et seq.* See *post*, chapter on Re-execution and Cancellation.

## CHAPTER II.

## FRAUD.

## SECTION I.

## GENERAL NATURE OF FRAUD; ACTUAL FRAUD.

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>197. Importance and general nature of equitable jurisdiction in cases of Fraud.</p> <p>198. Distinctions between the relief at law and in equity.</p> <p>199. Limitations upon the jurisdiction of equity in cases of Fraud; Fraud in obtaining a will; <i>Allen v. M'Pherson</i>.</p> <p>200. Concurrent jurisdiction of equity.</p> <p>201. Exclusive jurisdiction.</p> <p>202. Fraudulent transactions voidable, not absolutely void.</p> <p>203. Within what time redress must be sought.</p> <p>204. Fraudulent transactions must be adopted or set aside <i>in toto</i>.</p> <p>205. General division of the subject of Fraud.</p> <p>206. General nature of actual fraud.</p> <p>207. Matters of opinion.</p> | <p>208. Prospectuses of projected companies; <i>Central Railway Co. v. Kisch</i>.</p> <p>209. Puffing; <i>Mortimer v. Bell</i>.</p> <p>210. Fraud on owner of property sold at auction.</p> <p>211. Matters of intention.</p> <p>212. Matters of law.</p> <p>213. <i>Suppressio veri</i>.</p> <p>214. Knowledge of the truth or falsehood by party making the representations; classification of cases on this subject.</p> <p>215. Representation must be relied on.</p> <p>216. Representation must be material; <i>dolus dans locum contractui</i>.</p> <p>217. Party deceived must be injured; representations by agents.</p> <p>218. Trustees <i>ex maleficio</i>.</p> |
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**197. Importance and general nature of equitable jurisdiction in cases of Fraud.**

THE subject of the present chapter is that head of jurisdiction which, perhaps, more than any other in the whole range of the jurisprudence of chancery, has called forth the beneficial exercise of the powers of courts of equity. From the earliest times down to the present day, the wrongs inflicted by *covin* (to use the ancient term) have appealed with peculiar force to the



conscience of chancellors; and probably no field of remedial law has more extended boundaries, or has yielded more substantial fruits of justice, than that which, in equity jurisprudence, is embraced under the title of Fraud.

While the general signification of this word (fraud) is easily understood, and, indeed, requires no explanation, it is, nevertheless, difficult to give any satisfactory definition of it in a single sentence, for the simple reason that the courts of equity have always avoided circumscribing the area of their jurisdiction in such cases by precise boundaries, lest some new artifice, not thought of before, might enable a wrongdoer to escape from the power of equitable redress. "The court," said Lord Chancellor Hardwicke in *Lawley v. Hooper*,<sup>1</sup> decided in 1745, "very wisely hath never laid down any general rule beyond which it will not go, least other means for avoiding the equity of the court should be found out."

### 198. Distinctions between the relief at law and in equity.

Fraud in equity has a wider signification than it has at law. It is true that, at common law, fraud is said to vitiate all transactions, rendering not only contracts, but even the most solemn acts, as, for example, the judgments of the courts, liable to be avoided.<sup>2</sup> Hence there exist many remedies at law for the purpose of redressing injuries inflicted through fraud.<sup>3</sup> Such is the action of deceit; the action on the case for fraudulent misrepresentations; and all actions based on the theory of the rescission of contracts on the ground of fraud, such as suits to recover purchase-money paid, or to get back goods delivered. In many instances, a party to a transaction tainted by fraud may elect to rescind it, and recover, at law, anything of value with which he may have parted on the faith of it. A familiar illustration of the

<sup>1</sup> Atkyns, 278.

<sup>2</sup> See *Kincaid v. Conly*, Phil. Eq. 270; *Grantham v. Kennedy*, 91 N. C. 148; *Riegel v. Wood*, 1 Johns. Ch. 402. But the fraud must be *actual*, not merely *constructive*. *Patch v. Ward*, L. R. 3 Ch. 207. A private statute may be relieved against when obtained on "false suggestions," 2 Black. Com. 346; but not "a public act." See *Tyson v. School Directors*, 51 Pa. 14; *Beegle v. Wents*, 55 Id.

374; *Stark v. McGowen*, 1 Nott & McC. 397, note; *Derby Turnpike Co. v. Parks*, 10 Conn. 539. Consult *Rand v. Webber*, 64 Me. 191.

<sup>3</sup> The acknowledgment of a married woman to a deed may be avoided by proof of a fraud or duress; *McCandless v. Engle*, 51 Pa. 313, and cases cited; except as against a *bona fide* purchaser without notice. *Hall v. Patterson*, Id. 289.

right to bring a common-law action for fraudulent representation is furnished by the action brought for falsely representing a third party to be solvent, and thereby inducing the plaintiff to trust his money or his goods with the party as to whose solvency he is thus deceived by the defendant.<sup>1</sup> The defendant, in such a case, can be held responsible in a common-law action. Actions based on the rescission of contracts are also of very frequent occurrence; as, for example, where a vendor delivers goods which are different in kind from those which he contracted to deliver, the purchaser may return the goods and recover the purchase-money in an action for money had and received.<sup>2</sup>

Common-law actions, however, do not touch every imaginable description of fraud, and the relief which they afford is, in many cases, entirely inadequate; whereas equity takes cognizance of every possible kind of fraud,<sup>3</sup> even where the guilty party might be supposed to be protected by a disability, such as coverture,<sup>4</sup> and its remedies are of the most complete and searching character.

Thus, equity will enjoin a party from enforcing an executory agreement; or it will order an executed agreement to be rescinded;<sup>5</sup> and in each of these cases the evidence of the agreements may be ordered to be delivered up to be cancelled.<sup>6</sup> Or, if the surrender of a valuable right has been procured by fraud, and the document which is the evidence of that right has been cancelled, equity will declare the existence of the right and re-

<sup>1</sup> *Pasley v. Freeman*, 2 Smith's Lead. Cas. 92. See 1 Spence Eq. 622. Actions of deceit and for false representations are in the nature of equitable actions. *Gwinther v. Gerding*, 3 Head, 301. If a deed is falsely read to an illiterate person, it will be avoided at law. *Sibley v. Holcomb*, 104 Ky. 670; *Bigelow on Fraud*, 326.

<sup>2</sup> See notes to *Chandeler v. Lopus*, 1 Sm. Lead. Cas. 299. See, also, *Farris v. Ware*, 60 Me. 484.

<sup>3</sup> Except in cases of fraud in obtaining a will, where the common-law courts have jurisdiction, if the subject-matter is realty, and the ecclesiastical courts, if it is personality. See *Kerr on Fraud and Mistake*, 44 (Bump's ed.); *Allen v.*

*M'Pherson*, 1 H. L. Cas. 101, *post*, page 312 *et seq.* It must be remembered, also, that equity has no cognizance of frauds as crimes; it looks at them only in a civil point of view. *Goldsmith's Doct. of Equity*, 109.

<sup>4</sup> See *Vaughan v. Vanderstegen*, 2 Drew. 379; *Harvey's Estate* (*Godfrey v. Harben*), 13 Ch. D. 216; *Hodgson v. Williamson*, 15 Id. 89; *Schmittheimer v. Eiseman*, 7 Bush, 299.

<sup>5</sup> *Baltimore Sugar Ref. Co. v. Campbell*, 83 Md. 36.

<sup>6</sup> See *Relf v. Eberly*, 23 Ia. 467; *Jones v. Bolles*, 9 Wall. 369; *John Hancock Ins. Co. v. Dick*, 114 Mich. 337; *Fred Macey Co. v. Macey*, 143 Mich. 138.

establish the document.<sup>1</sup> Moreover, equity, in proper cases, may compel a party to make good his representations,<sup>2</sup> or it may follow the proceeds of property fraudulently obtained and sold,<sup>3</sup> or may order a security which has been taken in too large an amount to stand good for what is actually due thereon;<sup>4</sup> or, in rescinding a contract, it may make allowances for improvements or deteriorations; or it may order bonds of indemnity to be given by either party; or it may hold that a transaction is good in part and voidable because fraudulent as to the residue.<sup>5</sup> Equity aims, in fact, at that kind of relief which was known in the Roman law as *restitutio in integrum*.<sup>6</sup>

Moreover, in cases of this character the general principle is that he who seeks equity must do equity; and the party against whom the relief is sought must, therefore, also be remitted to the position he occupied prior to the transaction complained of. The court proceeds on the principle that as the transaction ought never to have taken place the parties are to be placed, as far as possible, in the situation in which they would have stood if there had never been any such transaction.<sup>7</sup> And where the fraudulent conduct of the defendant has been of such a character as to put it out of the power of the court to restore the *status quo*, the court will nevertheless give the plaintiff such equitable relief as, under the circumstances, it is able to award him.<sup>8</sup> Besides, whenever the legal title is obtained by fraud, equity will not allow the fraudulent party to hold the beneficial interest, but will consider him as a trustee for the injured party.

<sup>1</sup> *Tabor v. Mich. Mut. Life Ins. Co.*, 44 Mich. 324.

<sup>2</sup> "He who sells property on a description given by himself is bound to make good that description." Marshall, C. J., in *McFerran v. Taylor*, 3 Cranch, 270; and see *McCall v. Davis*, 56 Pa. 435; *Pearson v. Morgan*, 2 Bro. Ch. 385; *Bacon v. Bronson*, 7 Johns. Ch. 194; *Evans v. Bicknell*, 6 Ves. 174; *Story's Eq. Jur.* § 193.

<sup>3</sup> *American Sugar Refining Co. v. Fancher*, 145 N. Y. 552.

<sup>4</sup> *Neilson v. McDonald*, 6 Johns. Ch. 210; *Potter v. Gracie*, 58 Ala. 308; *Proof v. Hines*, Cas. temp. Talb. 111; *Gould v. Okeden*, 4 Bro. P. C. 198. See *Logue's Appeal*, 104 Pa. 136.

<sup>5</sup> *Bigelow v. Wilson*, 87 Iowa, 628.

<sup>6</sup> 1 *Spence Eq.* 622.

<sup>7</sup> *Bellamy v. Sabine*, 2 Phil. Eq. 425; *Savery v. King*, 5 H. L. Cas. 627; *W. B. of Scotland v. Addie*, L. R. 1 Sc. App. Cas. 162; *Gatling v. Newell*, 9 Ind. 572; *Johnson v. Jones*, 13 Sm. & M. 580; *Neblett v. MacFarland*, 92 U. S. 103; *Kerr on Fraud*, 335, 343. See, also, *Grymes v. Sanders*, 93 U. S. 62; *Gould v. Cayuga Nat. Bank*, 99 N. Y. 333; *Brown v. Norman*, 65 Miss. 369; *Neal v. Reynolds*, 38 Kan. 432; *State v. Williams*, 39 Id. 517; *Rigdon v. Walcott (Ill.)*, 31 N. E. Rep. 158.

<sup>8</sup> *Paquin v. Milliken*, 163 Mo. 79; *Green v. Duvergey*, 146 Cal. 389.

This is one of the most usual means which equity adopts for the purpose of correcting fraud; so much so, indeed, that in certain cases of fraud the injured party is treated as having an *equitable estate* in the property of which he has been defrauded. Thus, where a conveyance was made by a client to his solicitor, and the former had a right in equity to set the transaction aside, it was held that this was not a mere *right*, but an *estate* which was devisable.<sup>1</sup>

In all these cases, the remedies afforded by equity are manifestly superior to those of the common law, and are, indeed, of such a character as would be impossible to be reached through the medium of common-law forms.

When to these remedies we add the engine of discovery, the power of reaching the defendant's conscience, and getting at fraudulent intentions, in their most secret hiding-places, we can see how much superior the redress afforded in chancery must be to that given by a purely common-law tribunal.

The *methods* of relief in chancery will be considered in that portion of this Treatise which is devoted to equitable remedies. What we are now concerned with is the extent and nature of the jurisdiction which equity assumes in such cases.

### 199. Limitations upon the jurisdiction of equity in cases of Fraud; Fraud in obtaining a will; *Allen v. M'Pherson*.

It was stated above that equity takes cognizance of every possible kind of fraud. This general remark must be subject to two qualifications. In the first place, it is now settled that equity has no jurisdiction in cases of fraud used in obtaining a will. So far as the will concerns real estate, its validity must be tested in the common-law courts; so far as personalty is involved, courts of probate have jurisdiction.<sup>2</sup> The question was

<sup>1</sup> See *Gresley v. Mousley*, 4 De G. & J. 78; *Stump v. Gaby*, 2 De G., M. & G. 623.

<sup>2</sup> There are one or two early authorities the other way. See *Maundy v. Maundy*, 1 Ch. R. 66; *Goss v. Tracy*, 1 P. Wms. 287; *Welby v. Thornagh*, Pr. Ch. 123; and see *Smith v. Boyd*, 127 Mich. 417. But the doctrine stated in the text has been established for many years. See *Kerrich v. Bransby*, 7 Bro. P. C. 437;

*Bennett v. Wade*, 2 Atk. 324; *Allen v. M'Pherson*, 1 H. L. Cas. 191; *Jones v. Gregory*, 2 De G., J. & Sm. 87; *Tarver v. Tarver*, 9 Pet. 180; *Gaines v. Chew*, 2 How. 645; *Adams v. Adams*, 22 Vt. 50; *Missionary Soc. v. Eells*, 68 Id. 497; *Colton v. Ross*, 2 Paige Ch. 396; *Hamberlin v. Terry*, 7 How. (Miss.) 143; *Ewell v. Tidwell*, 20 Ark. 136; *Blue v. Patterson*, 1 Dev. & Bat. Eq. 457; *Hunt v. Hamilton*, 9 Dana, 90; *McDowall v. Peyton*, 2 Desm. 313

examined a few years ago, in the Supreme Court of the United States, and the ruling in *Allen v. M'Pherson*, in the House of Lords, was approved and followed. The rule was recognized as general and well settled, both in this country and in England.<sup>1</sup> Where, however, a particular devise or bequest has been obtained through representations and promises that it would be used for the benefit of another, equity will prevent a fraud by treating the devisee or legatee as a trustee for the party intended to be benefited.<sup>2</sup>

## 200. Concurrent jurisdiction of equity.

In the second place, it is to be observed that while, as a general rule, courts of equity have jurisdiction in *all* cases of fraud, they will not ordinarily exercise this jurisdiction if there is a full and adequate remedy at law.<sup>3</sup> No one, for instance, would think of filing a bill in equity in case of a fraudulent warranty on the sale

(where, however, the court decreed that the defendant should consent to a revocation of the probate); *Sohler v. Sohler*, 135 Cal. 323 (where the court, though recognizing the general principal, yet held the defendant to be a trustee for the plaintiff); *Burrow v. Ragland*, 6 Humph. 481. See, also, *Waters v. Stickney*, 12 Allen, 1; *Watson v. Bothwell*, 11 Ala. 650; *Trexler v. Miller*, 6 Ired. Eq. 248, and *Perry on Trusts*, § 182.

<sup>1</sup> *Ellis v. Davis*, 109 U. S. 485; *Case of Broderick's Will*, 21 Wall. 503; *California v. McGlynn*, 20 Cal. 233, 266. See *McDaniel v. Pattison*, 98 Cal. 86-100; *Langdon v. Blackburn*, 109 Id. 19; *Garland v. Smith*, 127 Mo. 583, and *Hans v. Holler*, 165 Id. 47.

<sup>2</sup> *Hoge v. Hoge*, 1 Watts, 213; *McCormick v. Grogan*, L. R. 4 H. L. 91, where the rule is clearly stated by Lord Westbury. See, also, *Chamberlaine v. Chamberlaine*, 2 Freem. 34; *Rockwood v. Rockwood*, 1 Leon. 192; *Cro. Elis.* 164; *Devenish v. Baines*, Prec. Ch. 4; *Jones v. McKee*, 3 Pa. 496; 6 Id. 428; *Irwin v. Irwin*, 34 Id. 525; *Church v. Ruland*, 64 Id. 442;

*Amherst Coll. v. Ritch* (Fayweather Will Case), 151 N. Y. 282; *O'Hara v. Dudley*, 95 Id. 403; *Ahrens v. Jones*, 169 Id. 555; *Gaither v. Gaither*, 3 Md. Ch. 158; *Perry on Trusts*, § 181; *Gilpatrick v. Glidden*, 81 Me. 137. *Richardson v. Green*, 15 U. S. App. 488, is a case in which the relief in equity was afforded under the provisions of a statute. *Tyler v. Stett*, 132 Wis. 656.

<sup>3</sup> *Newham v. May*, 13 Pri. 749; *Russell v. Clark*, 7 Cranch, 69; *Piscataque Ins. Co. v. Hill*, 60 Me. 183; *Hackley v. Draper*, 60 N. Y. 88; *Woodman v. Freeman*, 25 Me. 531; *Buck v. Ward*, 97 Va. 209; though see *Clark v. Robinson*, 58 Id. 137. See, also, *Life Association of Scotland v. McBlain*, L. R. 9 Irish Ch. 176; *Hoare v. Bremridge*, L. R. 14 Eq. 522; 8 Ch. 22; *Hardwick v. Forbes*, 1 Bibb, 212; *Boardman v. Jackson*, 119 Mass. 161; *Williams v. Mitchell*, 30 Ala. 299; *Learned v. Holmes*, 49 Miss. 290; *White v. Boyce*, 21 Fed. Rep. 228; *Krueger v. Armitage*, 58 N. J. Eq. 357; *Fred Macey Co. v. Macey*, 143 Mich. 138.

of a horse, or of a deceit in the sale of a bale of goods.<sup>1</sup> Even where the jurisdiction of Courts of Chancery is limited to cases in which there is no "plain, adequate, and complete remedy" at law (as is the case with the Federal courts, for example),<sup>2</sup> this provision has been held to be declaratory merely, and the jurisdiction thus conferred is to be measured by the same standard as that of ordinary Courts of Chancery.<sup>3</sup> So far, however, as the general jurisdiction of chancery is concerned, and apart from statutory limitations, the better opinion would seem to be that the cognizance of every case of fraud, with the single exception of fraud in obtaining a will, belongs to the Court of Chancery, even though there may be a complete remedy at law. The jurisdiction in such a case is concurrent. This is the opinion of Lord Eldon, Chancellor Kent, and Mr. Spence.<sup>4</sup> The true conclusion would appear to be that equity would have the *power* to entertain a bill in such cases, but that it is not according to the usual course and practice of chancery to do so. Where, however, the remedy at law is not full and adequate, the jurisdiction of chancery in cases of fraud is undoubted;<sup>5</sup> and where from any circumstance whatever, as for mere discovery alone, chancery has once obtained jurisdiction, it will go on and do complete justice in the case.

### 201. Exclusive jurisdiction.

As the jurisdiction of equity embraces (with the qualifications already stated) fraud of all kinds, it affords relief in many instances in which no grounds for redress whatever exist at law. In such cases, therefore, its jurisdiction is exclusive, and the only remedy which the injured party can have is by bill in chancery.<sup>6</sup> Thus, a great many transactions are *presumed* to be

<sup>1</sup> *Newham v. May*, 13 Price, 751, 752. See *Busard v. Houston*, 119 U. S. 347; *Watson v. Bartholomew*, 106 Iowa, 576, and the language of the court in *Mack v. The Village of Frankfort*, 123 Mich. 421.

<sup>2</sup> The Judiciary Act of 1789.

<sup>3</sup> *Boyce v. Grundy*, 3 Pet. 215; *Oelrichs v. Spain*, 15 Wall. 228. See *Clark v. Robinson*, 58 Me. 137, and *ante*, § 13.

<sup>4</sup> See *Evans v. Bicknell*, 6 Ves. 182; *Bacon v. Bronson*, 7 Johns. Ch. 201;

1 Spence, 625. See dissenting opinion of Bradley, J., in *Busard v. Houston* (*ante*), and *ante*, § 13.

<sup>5</sup> *Mortland v. Mortland*, 151 Pa. 596. Equity jurisdiction will not attach when there is a full, complete and adequate remedy at law; and this is the case even where fraud is alleged. *Hyde v. Baker*, 212 Pa. 224; *Wagner v. Fehr*, 211 Pa. 435.

<sup>6</sup> See *Kincaid v. Conly*, Phil. Eq. 270.

fraudulent in equity which are not so in law, where the rule is that fraud must be proved, and cannot be presumed. In equity fraud may be *inferred* from attendant circumstances;<sup>1</sup> it may be presumed from the subject-matter of the contract, or from the relations of the parties; or it may afford ground for relief when it simply affects third persons not parties to the transaction. All of these heads will be considered in detail; but before doing so, it will be well to notice one or two general principles which Courts of Chancery have laid down in regard to frauds of all kinds.

## 202. Fraudulent transactions voidable, not absolutely void.

And, in the first place, transactions tainted with fraud are not absolutely void, but are voidable only at the election of the injured party.<sup>2</sup> If he chooses to remain satisfied, the other party cannot complain, and the transaction will stand. Another result of the *voidable* character of fraudulent transactions is that the injured party ought to be prompt in setting the transaction aside, as equity does not encourage laches.<sup>3</sup> Thus, in a case in Iowa, where an infant was fraudulently induced to execute a deed of land to another, believing that she was merely executing an instrument authorizing the person named therein to sell the land, and failed to make inquiry concerning the exercise of the power for thirteen years after attaining majority, when she was first informed of the fraud, she was held barred by her negligence from asserting her claim to the premises.<sup>4</sup> Moreover, innocent third parties without notice may acquire rights and interests of which they cannot be deprived. A *bona fide* purchaser, without notice, for a valuable consideration, will be protected even though he claim under a grantor who has obtained the property by fraud, which would, as between the original parties, render its acquisition invalid.<sup>5</sup>

<sup>1</sup> See *Kisterbock's Appeal*, 51 Pa. 485.

<sup>2</sup> *Oakes v. Turquand*, L. R. 2 H. L. 346; *Pearson v. Chapin*, 44 Pa. 9; *Negley v. Lindsay*, 67 Id. 228; *Wood v. Goff*, 7 Bush, 63; *Lindsley v. Ferguson*, 49 N. Y. 625; *Consolidated, etc., Co. v. O'Neill*, 25 Ill. App. 313.

<sup>3</sup> *Willoughby v. Moulton*, 47 N. H. 206; *Weeks v. Robie*, 42 Id. 316;

*Akerly v. Vilas*, 21 Wis. 88; *Wilbur v. Flood*, 16 Mich. 40; *Badger v. Badger*, 2 Wall. 87, 94; *Jones v. Smith*, 33 Miss. 215; *Campau v. Van Dyke*, 15 Mich. 371; *Barnes v. Starr*, 64 Conn. 136-157.

<sup>4</sup> *Weaver v. Carpenter*, 42 Ia. 342.

<sup>5</sup> *Oakes v. Turquand*, *supra*. See, also, *Scholefield v. Templer*, 4 De G. & J. 429; *Colorado Coal Co. v. United*

There is, indeed, a distinction between deeds and other instruments which a man *intends* to execute, though his intention may be brought about by fraudulent means, and those which he has no intention to execute, but executes under the impression that the instrument is of a different character from what it actually is, or, in other words, executes the wrong paper. In the latter case the instrument is absolutely void, and the law above stated in relation to voidable instruments would, in general, not apply.<sup>1</sup>

### 203. Within what time redress must be sought.

The next general rule to be noticed in case of fraud is, that in equity no length of time, however great, will be a bar to the right to relief, if the injured party has been in ignorance of the fraud.<sup>2</sup> In courts of equity, ordinarily, the Statute of Limitations is a good plea in bar;<sup>3</sup> and, moreover, it is a general principle that stale claims ought not to be encouraged.<sup>4</sup> But in the

States, 123 U. S. 307; *Dettra v. Kestner*, 147 Pa. 566.

<sup>1</sup> See *Donaldson v. Gillot*, L. R. 3 Eq. 277; *Ogilvie v. Jeaffreson*, 2 Giff. 353; *Kerr on Fraud and Mistake*, 50; *Livingston v. Hubbs*, 2 Johns. Ch. 512; *County of Schuylkill v. Copley*, 67 Pa. 386. See, also, *Chamberlain v. McClurg*, 8 W. & S. 36; *McHugh v. County of Schuylkill*, 67 Pa. 396; *Medlin v. Buford*, 115 N. Car. 260; *Cutler v. Roanoke R. R. and Lumber Co.*, 128 Id. 477.

<sup>2</sup> *Charter v. Trevelyan*, 11 Cl. & Fin. 714; *Michoud v. Girod*, 4 How. 561; *Percy v. Cockrill's Exrs.*, 10 U. S. App. 574-589; *Relf v. Eberly*, 23 Ia. 467; *Cock v. Van Etten*, 12 Minn. 522; *Dean v. Ross*, 178 Mass. 397; *Zinkeison v. Lewis*, 63 Kan. 590; *Witt v. Day*, 112 Ia. 110. See *Vane v. Vane*, L. R. 8 Ch. App. 398, under the English Statute of Limitations of William IV. The Statute of Limitations will not commence to run against an action for fraud until the fraud is discovered or until such time as the same by the exercise of reasonable diligence may be dis-

covered. *Faust v. Hosford*, 119 Ia. 97.

<sup>3</sup> *Neely's Appeal*, 85 Pa. 490; *Bickel's Appeal*, 86 Id. 204; *Blanchard v. Williamson*, 70 Ill. 647; *Lansing v. Starr*, 2 Johns. Ch. 150; *Kane v. Bloodgood*, 7 Id. 90, where the subject is examined; *Smith v. Wood*, 42 N. J. Eq. 563.

<sup>4</sup> See *Farnam v. Brooks*, 9 Pick. 212; *Ward v. Van Bokkelen*, 1 Paige Ch. 100; *Shaver v. Radley*, 4 Johns. Ch. 310; *Farr v. Farr*, 1 Hill (Eq.), 391; *Field v. Wilson*, 6 B. Mon. 479; *Thompson v. Blair*, 3 Murph. 593; *Bruce v. Child*, 4 Hawks, 372; *Perry v. Craig*, 3 Mo. 365; *Ferris v. Henderson*, 12 Pa. 54; *Bank of United States v. Biddle*, 2 Pars. Eq. 31; *McDowell v. Goldsmith*, 2 Md. Ch. 370; *Herrod v. Fountleroy*, 3 J. J. Marsh. 548; *Phillips v. Belden*, 2 Edw. Ch. 1; *Anderson v. Burwell*, 6 Gratt. 405; *Maxwell v. Kennedy*, 8 How. 210; *Paschall v. Hinderer*, 28 Ohio, 568; *Barnes v. Taylor*, 27 N. J. Eq. 259; *Norfolk, etc., Hosiery Co. v. Arnold*, 49 Id. 390; *In re Butler*, 2 Hugh, 247; *Butler v. Haskell*, 4 Dess. 651; *Gree-*



case of undiscovered fraud the rule is different; and no length of time can secure those who have benefited thereby, in the enjoyment of their gains.<sup>1</sup> The principle may be said to be that where actual fraud is proven, the court will look with much indulgence upon the circumstances tending to excuse the plaintiff from a prompt assertion of his rights. "Indeed in a case of an active and continuing fraud like this, we should be satisfied with no evidence of laches that did not amount to proof of assent or acquiescence."<sup>2</sup>

In order to prevent the statute from running, however, actual concealment would seem to be necessary;<sup>3</sup> the mere fact of non-discovery will not be enough,<sup>4</sup> unless the relation of the parties is such that it was the duty of the party complained of to make the disclosure.<sup>5</sup>

#### 204. Fraudulent transactions must be adopted, or set aside *in toto*.

Again, it must also be remembered that, in cases of fraud, the injured party cannot repudiate the transaction so far as it is injurious to himself, and adopt it so far as it is beneficial. He must either allow it to stand, or set it aside *in toto*.<sup>6</sup>

Moreover, a party who has brought an action which is based upon an affirmation of an alleged fraudulent transaction cannot, at all events in that action, be heard to complain of the fraud.

ley v. Mousley, 4 De G. & J. 78; Thomson v. Eastwood, 2 App. Cas. 215; Allore v. Jewell, 94 U. S. 512; Sullivan v. Portland R. Co., Id. 811; Lansdale v. Smith, 106 Id. 391; Hines v. Thorn, 57 Tex. 625; Perry on Trusts, § 299; *post*, § 260; Woodruff v. Williams, 35 Colo. 28.

<sup>1</sup> Ludington v. Patton, 111 Wis. 208.

<sup>2</sup> Saxlehner v. Eisner & Mendelson Co., 179 U. S. 39; McIntire v. Pryor, 173 Id. 38; McLean v. Fleming, 96 Id. 245; Menendez v. Holt, 128 Id. 514; Portuondo Cigar Co. v. Cigar Co., 222 Pa. 116.

<sup>3</sup> Dorsey Machine Co. v. McCaffrey, 139 Ind. 545; Loomis v. Missouri Pac. Ry. Co., 165 Mo. 469.

<sup>4</sup> Peck v. Bullard, 2 Humph. 41; Township of Boomer v. French, 40 Ia.

601; Humphreys v. Mattoon, 43 Id. 556; Hudson v. Wheeler, 34 Tex. 356; Munson v. Hallowell, 26 Id. 477; Callis v. Waddy, 2 Munf. 511; Reed v. Minell, 30 Ala. 61; Meader v. Norton, 11 Wall. 443; Bigelow on Fraud, 445; Terry v. Fontaine, 83 Va. 451.

<sup>5</sup> Wilson v. Ivy, 32 Miss. 233; Buckner v. Calcote, 28 Id. 432; Faust v. Hosford, 119 Ia. 97.

<sup>6</sup> Great Luxembourg Ry. Co. v. Magnay, 25 Beav. 594; Farmers' Bank v. Groves, 12 How. 51; Potter v. Titcomb, 22 Me. 300; Rigdon v. Walcott, 141 Ill. 649; Oeh v. M. K. & T. Ry. Co., 130 Mo. 27; Wilson v. New U. S. Cattle Ranch Co., 36 U. S. App. 634; Kerr on Fraud and Mistake, 52. See Bellamy v. Sabine, 2 Phil. Eq. 425; Baird v. Howard, 51 Ohio St. 57; Bliss v. N. Y. Cent. &

If he sues (for example) for the fruits of a breach of trust, he must be deemed to have acquiesced in the illegal act.<sup>1</sup> And a party who has participated in a fraud, or contributed to the means by which it has been effected, will not be permitted to recover the amount which he has advanced until innocent parties have been made whole.<sup>2</sup>

### 205. General division of the subject of Fraud.

Having premised the above general observations upon the nature of fraud and the scope of the jurisdiction in chancery based upon it, it will now be proper to consider more in detail the several subdivisions of fraud, and the different instances which are found under each.

The *general* division of fraud which has usually been made by judges and authors, is into fraud which grows out of direct facts or circumstances of imposition or *actual* fraud, and fraud which is inferred from the nature of the transaction or the relations of the parties, and which is therefore known as *presumptive* or *constructive* fraud. This division has the sanction of the great name of Story, and has been followed by later writers, both upon the particular subject of fraud and upon the general doctrines of equity.<sup>3</sup>

But within the past few years there has arisen a tendency to narrow the meaning of the word *fraud*; and in obedience to this tendency the term "*constructive*" fraud and the kindred term "*legal*" fraud have been not a little criticised. "I do not understand legal fraud," said Lord Bramwell in *Weir v. Bell*,<sup>4</sup> decided by the Court of Appeal in 1878, "to my mind it has no more meaning than legal heat or legal cold, legal light or legal shade;" and the same idea was expressed by the same judge, in somewhat different language, in the now famous case of *Derry v. Peek*.<sup>5</sup> Again, in *Joliffe v. Baker*,<sup>6</sup> Mr. Justice Watkins Williams

Hud. R. R. R. Co., 160 Mass. 447, and *Allen v. Henn*, 197 Ill. 486, for illustrations of exceptional cases.

<sup>1</sup> See *Coleman v. Columbia Oil Co.*, 51 Pa. 77; *Carlton v. Hulett*, 49 Minn. 308.

<sup>2</sup> *Kisterbock's Appeal*, 51 Pa. 483; *Merrill v. Wilson*, 66 Mich. 232.

<sup>3</sup> See Story's Equity Jurisprudence,

and particularly sec. 258, where Constructive Fraud is defined. See, also, Bigelow on Fraud, Introduction; Pomeroy (Eq. Juris.); and Kerr on Fraud and Mistake.

<sup>4</sup> 2 Ex. Div. 243.

<sup>5</sup> 14 App. Cas. 346. See *Angus v. Clifford* [1891], 2 Ch. 449. As long ago as 1850, Chief Justice Gibson had

<sup>6</sup> 11 Q. B. Div. 271.

quoted the above remark of Lord Bramwell with approval, and then went on to say: "Armed with this authority of Lord Bramwell, I reject the phrase 'legal fraud,' as distinguished from moral fraud and deceit, as wholly inapplicable and inappropriate to legal discussion."

Finally, the modern opinion upon this subject has been summed up in the rather emphatic declaration of a distinguished writer, that "legal or constructive fraud may be discarded as a worse than useless figment."<sup>1</sup>

While, therefore, students of the jurisprudence of Courts of Chancery have become familiarized with the division of fraud into actual and constructive, and while this division has the sanction of continued use and great authority, and while it may be premature to say that the time has come for discarding it as a useless figment, it is yet desirable to bear in mind the tendency of modern criticism upon the subject, and not to be unmindful of the scientific view of the matter which is now being taken by thoughtful writers and distinguished judges.

But whatever may be the theory, yet for the purposes of convenient and practical consideration, the celebrated division of fraud made by Lord Hardwicke, in the case of *Chesterfield v. Janssen*,<sup>2</sup> is perhaps the best. That learned judge there divided fraud into four classes,<sup>3</sup> viz.:—

1. Fraud arising from facts and circumstances of imposition.
2. Fraud arising from the intrinsic matter of the bargain itself.
3. Fraud presumed from the circumstances and condition of the parties contracting; and
4. Fraud affecting third persons not parties to the agreement.

It will be observed that the first of these subdivisions embraces cases of *actual* fraud; the second and third include instances of *constructive* fraud; and the last has relation to third parties whom the fraud may affect.

## 206. General nature of actual fraud.

As to the first of the above-mentioned heads of fraud, it may be stated, as a general rule, that fraud consists in any-

observed, in *Bokee v. Walker*, 14 Pa. 141, that "a *constructive* deceit is a new thing under the sun."

<sup>1</sup> Pollock on Contracts, 480; chapter on Misrepresentation and Fraud.

<sup>2</sup> 1 Atk. 301; 2 Ves. 125; 1 Lead. Cas. Eq. 428 (541, 4th Eng. ed.).

<sup>3</sup> The division is in fact into five classes; but the last class, that of *reversioners*, is said by Lord Hard-

thing which is calculated to deceive, whether it be a single act or combination of circumstances; whether it be by suppression of the truth<sup>1</sup> or a suggestion of what is false; whether it be by a direct falsehood, or by *innuendo*, by speech or by silence,<sup>2</sup> by word of mouth or by a look or gesture.<sup>3</sup> Fraud of this kind may be defined to be, any artifice by which a person is deceived to his disadvantage.<sup>4</sup> Where a person claims relief on the ground that he has thus been deceived, it is his duty (according to the doctrine laid down by an English chancellor in a modern case) to establish two things: *first*, actual fraud, which is to be judged of by the nature and character of the representations made, considered with reference to the object for which they were made, the knowledge or means of knowledge of the person making them, and the intention which the law justly imputes to every man, to produce those consequences which are the natural results of his acts; and, *secondly*, he must establish that this fraud was an inducing cause to the contract, for which purpose it must be material, and it must have produced in his mind an erroneous belief, influencing his conduct.<sup>5</sup>

The representations, therefore, which deserve the name of fraudulent are usually said to be representations which are false in themselves, false to the knowledge of the party making them, or made by one who does not care whether they are true or false,<sup>6</sup> reasonably relied upon by the other party, and furnishing a substantial inducement to his action.<sup>7</sup>

wicke himself to be properly compounded of the others.

<sup>1</sup> See *Mallory v. Leach*, 35 Vt. 156; *Ruffner v. Ridley*, 81 Ky. 165.

<sup>2</sup> Silence, however, is by no means necessarily equivalent to direct affirmation; for in very many cases no duty of disclosure exists. Ordinarily, indeed, it is only where, from what has passed in the transaction or from some relationship between the parties, disclosure becomes a duty, that silence is a fraud. The People's Bank's Appeal, 93 Pa. 107; *Lomerson v. Johnston*, 47 N. J. Eq. 312; *Chicora Fertilizer Co. v. Dunan*, 91 Md. 144.

<sup>3</sup> *Lobdell v. Baker*, 1 Met. 193; *Mizner v. Kussell*, 29 Mich. 229; *Lee v. Jones*, 14 C. B. (N. S.) 384; *Croyle*

*v. Moses*, 90 Pa. 250; *Donovan v. Donovan*, 9 Allen, 140; *Faulkner v. Klamp*, 16 Neb. 174; *Bigelow on Fraud*, 4.

<sup>4</sup> See *Juzan v. Toulmin*, 9 Ala. 684; *Smith v. Richards*, 13 Pet. 36; *Laidlaw v. Organ*, 2 Wheat. 195; *Tyler v. Black*, 13 How. 231.

<sup>5</sup> By the Earl of Selborne, L. C., in *Smith v. Chadwick*, 9 App. Cas. 190.

<sup>6</sup> *Derry v. Peek*, 14 App. Cas. 372; *Edgington v. Finsmaurice*, 29 Ch. D. 459. See, also, the remarks of Strong, J., in *Graham v. Hollinger*, 46 Pa. 57.

<sup>7</sup> In *Adams's Equity*, p. 176, the rule is laid down that the representations must be false in themselves, false to the knowledge of the party

## 207. Matters of opinion.

The representation must, in the first instance, be false in point of fact; and it necessarily follows that it must be a representation of that which is a matter of fact,<sup>1</sup> and not a mere matter of opinion or judgment.<sup>2</sup> No man can be held responsible for an error or mistake in his opinion, unless his language amounts to a warranty, or unless he puts forth, in the guise of an opinion, some statement of fact which he knows to be incorrect, and upon which the other party relies;<sup>3</sup> or unless his expression of opinion is coupled with active and effective intervention to prevent in-

making them, reasonably relied upon by the other party, and furnishing a substantial inducement to the contract. But this statement must, so far as the phrase "false to the knowledge of the party making it" is concerned, be qualified in the manner stated in the text. See, also, Bigelow on Fraud, p. 3; *Stevens v. Moore*, 73 Me. 559; *Masterton v. Beers*, 1 Sweeney, 406; *Byard v. Holmes*, 5 Vroom, 297; *Hubbell v. Meigs*, 50 N. Y. 489; *Smith v. Dye*, 15 Mo. App. 585; *Livermore v. Middlesborough Town Lands Co.*, 106 Ky. 140, and *Jones v. Id.*, 106 Ky. 194. A man is responsible for a false representation, even though he has no interest in the deception. *Weed v. Case*, 55 Barb. 547.

<sup>1</sup> *Leake on Contracts*, 182. The fact misrepresented need not be, necessarily, a physical or tangible fact; it may be a statement of a mental condition, of feeling, or of affection; and if the statement of such condition or feeling or affection be false, it will justify the setting aside of anything done induced by such misstatement. *Basye v. Basye*, 152 Ind. 172, a case of misrepresentation by a wife as to her affection for her husband. A court of equity will set aside a deed from husband to wife procured by her by fraudulently pretending affection for him and promising to be a faithful wife with

the intention of abandoning him when she obtained the property. *Hursen v. Hursen*, 212 Ill. 377.

<sup>2</sup> See *Southern Development Co. v. Silva*, 125 U. S. 251-256; *Hazard v. Irwin*, 18 Pick. 105; *Max Meadows Land Co. v. Brady*, 92 Va. 71; *Garber v. Bresee*, 96 Id. 644; *Anderson v. Creston Land Co.*, Id. 257; *Campbell v. Building Assn.*, 98 Id. 729; *Johnson v. Nat. Bldg. and Loan Assn.*, 125 Ala. 465; *Railway Co. v. Bennett*, 63 Kan. 781; *Buena Vista Co. v. Billmyer*, 48 W. Va. 382; *Hallinger v. Zimmerman*, 58 N. J. Eq. 217; *Curry v. Keyser*, 30 Ind. 214; *Stow v. Bozeman*, 29 Ala. 397; *Watts v. Cummins*, 59 Pa. 84; *Sawyer v. Prickett*, 19 Wall. 146. For cases illustrative of misrepresentations of fact, see *Tyler v. Black*, 13 How. 230; *Bennett v. Judson*, 21 N. Y. 238; *Manning v. Albee*, 11 Allen, 522; *Bradfield v. Elyton Land Co.*, 93 Ala. 527; *Merrillat v. Plummer*, 111 Ia. 643; *Strickland v. Graybill*, 97 Va. 602; *Miller v. Voorheis*, 115 Mich. 356; *Beyer v. National Building & Loan Assn.*, 131 Ala. 369; *Dudley v. Minor*, 100 Va. 728; *Hurlbert v. Kellogg Co.*, 115 Wis. 225; *Brown v. South Joplin Lead Co.*, 194 Mo. 681.

<sup>3</sup> *Birdsey v. Butterfield*, 34 Wis. 52; *Pike v. Fay*, 101 Mass. 134; *Bigelow on Fraud*, 26; *Mohler v. Carder*, 73 Ia. 582; *Curtis v. Stilson*, 38 Kan. 302.

vestigation.<sup>1</sup> Subject to these qualifications, the general rule is that no one is entitled to rely upon an assertion which must of necessity be a mere statement of opinion. A man who is dealing with another has a right to rest upon an assertion of a *fact* made by the latter;<sup>2</sup> but he has no right to rely upon the latter's opinion,—unless indeed he is an expert, in which case the parties do not deal upon equal terms, and the ordinary rule does not apply.<sup>3</sup>

Nor is it a fraud for a man to praise his own wares and extol their value,<sup>4</sup> and to depreciate that which he is to receive in return.<sup>5</sup> Such exaggerations are common in all sales or barter; and every man has a right to praise the commodity which he offers, provided he does not overstep the line, and assert that to be a fact which is not so, or enter into a warranty or make a representation which is so far connected with the contract as to enter into and form a part of it.<sup>6</sup> A man, for example, who is selling a rope, may say that the rope is a good rope, and that he believes that it will stand the strain of a heavy weight, and he cannot be held responsible if the event is otherwise. But if he were to say that the rope had been tested with so many

<sup>1</sup> Mudsill Mining Co. v. Watrons, 22 U. S. App. 12, 21, 47-50.

<sup>2</sup> See Mead v. Bunn, 32 N. Y. 295; Marsh v. Scott, 125 Ill. 114; McCormick v. Webster, 57 N. J. Eq. 295.

<sup>3</sup> See Picard v. McCormick, 11 Mich. 68; Kost v. Bender, 25 Id. 515; Hedin v. Minneapolis Institute, 62 Minn. 146; Nash v. Minnesota Title Ins. & Trust Co., 159 Mass. 437 (a representation as to the validity of a title); Id., 163 Mass. 574; Cutler v. Roanoke R. R. and Lumber Co., 128 N. C. 477.

<sup>4</sup> *Simplex commendatio non obligat*. See statement of the law by Harlan, J., in Lehigh Zinc & Iron Co. v. Bamford, 150 U. S. 673; and see, also Adams v. Soule, 33 Vt. 549; Scott v. Burnight, 131 Ia. 507; McElyea v. Hill, 105 Tenn. 319, and Gaty v. Holcomb, 44 Ark. 216, where it was said that the rule allowing commendation by a vendor was applicable only when the purchaser has a full

opportunity to inspect. Long v. Kendall, 17 Okla. 70; Kincaid v. Price, 82 Ark. 20.

<sup>5</sup> French v. Griffin, 18 N. J. Eq. 279; Hunter v. McLaughlin, 43 Ind. 38; Crocker v. Manley, 164 Ill. 282; 2 Kent's Com. 485; Leake on Contracts, 183.

<sup>6</sup> Haygarth v. Wearing, L. R. 12 Eq. 327, where false representations as to the value of an estate, made by the purchaser, and relied upon by the vendor, were held sufficient to justify an application to rescind the sale. "This was not a mere purchaser's assessment," said Vice-Chancellor Sir John Wickens, "but a deliberate statement made to her (the vendor), for her guidance in the transaction, and was acted on by her in reliance on its good faith and accuracy." See Schumaker v. Mather, 133 N. Y. 590. See, also, Adams v. Soule, 33 Vt. 549, where the court pointed out the difference between a case in which there

pounds weight, when in point of fact it had not;<sup>1</sup> or were to warrant the rope to be of a particular quality, and it was not of that quality; or were to assert that it was fit for the particular purpose for which the purchaser was buying it, and it were to turn out to be unsuited for that purpose; in all such cases the vendor would be entitled to have the contract rescinded.<sup>2</sup>

A party should not state as a fact, *i. e.*, as a matter of actual knowledge, that as to which he has only an opinion or belief.<sup>3</sup>

### 208. Prospectuses of projected companies; *Central Railway Co. v. Kisch*.

The rules in regard to fairness in representations are to be particularly observed in prospectuses of projected companies. The utmost candor and honesty ought to characterize such public statements. Those who issue a prospectus holding out to the public the great advantages which will accrue to persons who will enter into a proposed undertaking, and inviting them

was merely "that recommendation and representation which one naturally makes of his own property for the purpose of convincing the purchaser of its desirableness;" and a case in which the representations as to value are the result of a fraudulent conspiracy. See, also, *McKnight v. Thompson*, 39 Neb. 752; *Leonard v. Springer*, 197 Ill. 532, and *Stack v. Nolte*, 29 Wash. 188.

<sup>1</sup> See *Sieveling v. Litzler*, 31 Ind. 17, where it was held that while mere assertions as to the value of the mill, which was the subject of the sale, would not have been any foundation for relief, yet a false statement that the mill could saw a certain number of feet of lumber *per diem*, was a ground for rescission. To the same effect are *Faribault v. Sater*, 13 Minn. 223; *Reid v. Flippen*, 47 Ga. 273; *Harvey v. Smith*, 17 Ind. 272; *Allin v. Millison*, 72 Ill. 201; *Horton v. Lee*, 106 Wis. 439, and *Martin v. Jordan*, 60 Me. 531. Representations as to the original cost of the property, where there is no fiduciary relation between the parties, have been held

in some cases to furnish no ground for a rescission. *Holbrook v. Connor*, 60 Me. 578; *Hemmer v. Cooper*, 8 Allen, 334; *Mooney v. Miller*, 102 Mass. 220; *Cooper v. Lovering*, 106 Id. 79; *Nettling v. Wright*, 72 Ill. 390; *Tuck v. Downing*, 76 Id. 71; *Sowers v. Parker*, 59 Kan. 12; *Sipola v. Winship*, 74 N. H. 240. See, however, *contra*, *Simar v. Canaday*, 53 N. Y. 298; *Fairchild v. McMahon*, 139 N. Y. 290; *Beare v. Wright*, 14 N. D. 26; *Crues v. Fessler*, 39 Cal. 336; *Gifford v. Carvill*, 29 Id. 589; *Davis v. Jackson*, 22 Ind. 233; *Neil v. Cummings*, 75 Ill. 170; *Van Epps v. Harrison*, 5 Hill, 63; *Morehead v. Eades*, 3 Bush, 121; *McFadden v. Robinson*, 35 Ind. 24; *McAleer v. Horsey*, 35 Md. 439; *Thompson v. Hardy*, 19 S. D. 91.

<sup>2</sup> The whole subject of the right to rescind contracts of sale of personal chattels for misrepresentation will be found discussed in the note to *Chandelor v. Lopus*, 1 Smith's Lead. Cas. 299.

<sup>3</sup> *Kirkpatrick v. Reeves*, 121 Ind. 280.

to take shares upon the faith of the representations therein contained, are bound to state everything with strict and scrupulous accuracy, and not only to abstain from stating as a fact that which is not so, but to omit no one fact within their knowledge, the existence of which might in any degree affect the nature, or extent, or quality of the privileges and advantages which the prospectus holds out as an inducement to take shares.<sup>1</sup> If it can be shown that a material representation, which is not true, is contained in the prospectus, or in any document forming the foundation of the contract between the company and the shareholder, and the latter comes within a reasonable time, and under proper circumstances,<sup>2</sup> to be released from that contract, the courts are bound to relieve him from it.<sup>3</sup>

### 209. Puffing; *Mortimer v. Bell*.

There is, however, a species of representation as to value which is fraudulent, viz., that which is known as puffing at auctions. Puffing is where a fictitious competition is got up by the false bidding of one or more persons, by which real bidders are misled and are induced by the false appearance of a demand, which does not actually exist, to make their offers. Such a sale cannot be enforced.<sup>4</sup> The rule at law in such cases, singular to say, seems

<sup>1</sup> *New Brunswick, etc., Railway Co. v. Muggeridge*, 1 Dr. & Sm. 363; *Directors of Central Railway Co. of Venezuela v. Kisch*, L. R. 2 H. L. 113. It was, however, said by Lord Justice Turner, that in cases of this kind "allowances must be made for some latitude of statement." 3 De G., J. & S. 135. See, also, *Hallows v. Fernie*, L. R. 3 Ch. 475; *Columbia Electric Co. v. Dixon*, 46 Minn. 463.

<sup>2</sup> As to the effect on the rights of creditors when the corporation has become insolvent and has been placed in the hands of receivers, see *Scott v. Latimer*, 33 C. C. A. 1.

<sup>3</sup> *Smith's Case*, L. R. 2 Ch. 609. See, also, *Swift v. Winterbotham*, L. R. 8 Q. B. 244; *Paddock v. Fletcher*, 42 Vt. 389; *McClellan v. Scott*, 24 Wis. 81; *Bagshaw v. Seymour*, 4 C. B. (N. s.) 873; *Clarke v. Dickson*, 6

*Id.* 453; *Cox v. National Coal Co.*, 61 W. Va. 291. In such cases the directors will be liable. *Edginton v. Fitzmaurice*, 29 Ch. D. 459; *Arnison v. Smith*, 41 Id. 348; *Prewett v. Trimble* (Ky.), 17 S. W. Rep. 356. The rule stated in the text, however, may not apply where the shareholder has obtained his stock in the open market, and not from the company. *Peek v. Gurney*, L. R. 6 H. L. 377. But see *Andrews v. Mockford* [1896], 1 Q. B. 372 (where *Peek v. Gurney* is distinguished), and, also, *New York and New Haven Railroad Company v. Schuyler*, 34 N. Y. 30; *Phelps v. Wait*, 30 Id. 78; *Suydam v. Moore*, 8 Barb. 358; *Bruff v. Mali*, 36 N. Y. 200.

<sup>4</sup> *Veasie v. Williams*, 8 How. 134; *Pennock's Appeal*, 14 Pa. 449; *Staines v. Shore*, 16 Id. 200; *Towle v.*



to be more strict against fraud than that in equity. Where the conditions of sale contain the usual provision that the highest bidder shall be the purchaser, courts of law have held that no bidding whatever on behalf of the vendor—even by a single agent—is allowable. But in equity, it has been in some cases laid down as the rule, that a vendor may authorize a person to bid for him up to a reserved price, so as to prevent the property from going below that price.<sup>1</sup> But the present inclination of the courts is, perhaps, to make the rule in equity conform to that at law.<sup>2</sup> If, therefore, the vendor does not wish the property to be sacrificed, he must limit it—in which case, if the limit is not reached by *bona fide* bids, the subject of the sale may be withdrawn.

### 210. Fraud on owner of property sold at auction.

As, on the one hand, a sale at auction may be fraudulent as against the purchaser, by reason of the enhancement of the price by means of fictitious bids; so, on the other hand, it may be fraudulent as against the owner of the property, when parties are deterred from bidding by false representations. Thus, the owner of property sold at a judicial sale, has a right to come into equity for relief, when it appears that a purchaser made untrue representations whereby other persons were prevented from bidding, and by which the property was obtained at an undervalue.<sup>3</sup>

In such cases the purchaser will be treated as a trustee, and cannot retain the property thus fraudulently acquired, for his own benefit.<sup>4</sup>

Leavitt, 3 Foster, 360; Woods v. Hall, 1 Dev. Eq. 411; Trust v. Delaplaine, 3 E. D. Smith, 219; Kerr on Fraud and Mistake, 225; Bigelow on Fraud, 145. See, also, Faucett v. Currier, 115 Mass. 20; Shapira v. D'Arcy, 180 Id. 377; Williams v. Bradley, 7 Heisk. 54; Dimmock v. Hallett, L. R. 2 Ch. 21; Flannery v. Jones, 180 Pa. 338.

<sup>1</sup> Davis v. Petway, 3 Head, 667. The general subject is discussed in this case, and *puffing* is disapproved; although the sale under consideration was sustained.

<sup>2</sup> Mortimer v. Bell, L. R. 1 Ch. 12, 13; Scott v. Brown [1892], 2 Q. B. 724, and Flannery v. Jones, 180 Pa. 338. See, also, Woodward v. Miller, 2 Coll. 279.

<sup>3</sup> Cocks v. Izard, 7 Wall. 559; Carr v. Graham, 128 Ga. 622.

<sup>4</sup> See Brown v. Dysinger, 1 Rawle, 408; Cook v. Cook, 69 Pa. 443; Seylar v. Carson, Id. 81; Bethell v. Sharp, 25 Ill. 173; Ryan v. Dox, 34 N. Y. 307; Roach v. Hudson, 8 Bush, 410; Grumley v. Webb, 44 Mo. 444; Mackay v. Martin, 26 Tex. 57.

So also it may, perhaps, be stated as a general rule that where, at a public sale, bidders are deterred from purchasing by a declaration that a particular buyer is acting for the benefit of some party beneficially interested, and the particular buyer is, in this way, enabled to secure the property, he will be held as a trustee for the party in whose favor he gave it out that the purchase was being made.<sup>1</sup> When, however, there is nothing more than the breach of a parol agreement, the Statute of Frauds, in cases of real estate, would apply, and no trust which could be enforced would arise.<sup>2</sup>

It has been said by distinguished authority that, "Upon analogous principles, agreements whereby parties engage not to bid against each other at a public auction, especially in cases where such auctions are directed or required by law, as in the cases of sales of chattels or other property on execution, are held void; for they are unconscientious and against public policy, for they have a tendency injuriously to affect the character and value of sales at public auction and to mislead private confidence."<sup>3</sup> But, in some cases, the question is treated as one of *actual* fraud; and it has been held that, in the absence of such fraud, the arrangement will be good.<sup>4</sup> And this was the view taken by the Supreme Court of the United States.<sup>5</sup> Where there is an active fraud in putting in fictitious bids, which bids are in fact not competitive, such deceit will vitiate the transaction.<sup>6</sup>

The true doctrine, perhaps, is that no hard and fast rule can be laid down, but that each case must be decided according to

<sup>1</sup> See *Hayman's Appeal*, 65 Pa. 433; *Barnet v. Dougherty*, 32 Id. 371; *Beegle v. Wentz*, 55 Id. 369; *Faust v. Haas*, 73 Id. 301; *Boynton v. Housler*, Id. 453. See, also, *Martin v. Morris*, 62 Wis. 418; *Woodruff v. Jabine* (Ark.), 15 S. W. Rep. 830.

<sup>2</sup> *Kistler's Appeal*, 73 Pa. 398; *Kimmel v. Smith*, 117 Id. 183; *Salsbury v. Black*, 119 Id. 200; *ante*, § 80; *Davis v. Davis*, 216 Pa. 228.

<sup>3</sup> *Story's Eq. Jurisp.* § 293, and cases cited in notes. See, also, *Slingluff v. Eckel*, 24 Pa. 472; *Hays' Estate*, 159 Id. 381; *Phelps v. Benson*, 161 Pa. 418; *Crawford v. Mad-dux*, 100 Cal. 222; *Boyle v. Adams*, 50

*Minn.* 255; *Kine v. Turner*, 27 Oreg. 356; *Goble v. O'Connor*, 43 Neb. 49; *Ralphmynder v. Shaw*, 45 W. Va. 680; *Bank v. Prager*, 50 Id. 660; *Conway v. Garden City Paving Co.*, 190 Ill. 89; *Pomeroy's Equity*, § 934; *Mansfield v. Wallace*, 217 Ill. 610.

<sup>4</sup> *Oram v. Rothermel*, 98 Pa. 300; *Woodruff v. Warner*, 175 Id. 302; *Atcheson v. Mallon*, 43 N. Y. 147-151.

<sup>5</sup> *Kearney v. Taylor*, 15 How. 519; *Hyer v. Richmond Trac. Co.*, 168 U. S. 478.

<sup>6</sup> See *McMullen v. Hoffman*, 174 U. S. 639-652, where the whole subject is examined by Mr. Justice Peckham.

the particular facts; and that agreements among creditors or others not to compete, at auctions, will be deemed fraudulent, or otherwise, according to the intent to be deduced from the surrounding circumstances.

### 211. Matters of intention.

The representation must not be an expression of *intention* merely. A man has no right to rely upon what another says he intends to do;<sup>1</sup> unless, indeed, the expression of intention assumes such a shape that it amounts to a contract, when, of course, the party will be bound by his engagement<sup>2</sup> and for the breach of which the other side has, ordinarily, an adequate remedy at law.<sup>3</sup> But if a promise is made with no intent to perform it, and merely with a fraudulent design to induce action under an erroneous belief, or if a representation amounts to a statement of fact, although dependent upon future action, in either case there is ground for equitable relief.<sup>4</sup>

### 212. Matters of law.

A false representation of a matter of law is no reason for rescinding a contract, because every person is supposed to know the law;<sup>5</sup> although in some exceptional cases relief, where mis-

<sup>1</sup> *Feret v. Hill*, 15 C. B. 207; *Jorden v. Money*, 5 H. L. Cas. 185 (though see the dissenting opinion of Lord St. Leonards, Id. 248, 249); *Citizens' Bank v. First Nat. Bank*, L. R. 6 H. L. 352; *Long v. Woodman*, 58 Me. 49; *Grove v. Hodges*, 55 Pa. 519; *Leake on Contracts*, 182; *Maxon v. Gray*, 15 R. I. 475; *A. Landreth Co. v. Schevenel*, 102 Tenn. 486; *Harrington v. Rutherford*, 38 Fla. 321; *Shattuck v. Robbins*, 68 N. H. 565; *Ryan v. Middlesborough Town Lands Co.*, 106 Ky. 181.

<sup>2</sup> *Hammersley v. De Biel*, 12 Cl. & Fin. 45. See, also, *Maunsell v. White*, 4 H. L. Cas. 1056; *Caton v. Caton*, L. R. 2 H. L. 127; *Newman v. Smith*, 77 Cal. 22; *Rorer Iron Co. v. Trout*, 83 Va. 397; *Day v. Fort Scott Invest. Co.*, 153 Ill. 293; *Kerr on Fraud and Mistake*, 89; *Perry on Trusts*, § 208.

<sup>3</sup> *Murphy v. Murphy*, 189 Ill. 360; *Gardner v. Knight*, 124 Ala. 273; *Brand v. Power*, 110 Ga. 522.

<sup>4</sup> *Chicago, etc., Cent. Ry. v. Titterington*, 84 Tex. 218; *Piggott v. Stratton*, Johns. Ch. 359; 1 De G., F. & J. 49; *McCready v. Phillips*, 56 Neb. 446; *Sherrin v. Flinn*, 155 Ind. 422. And see *Kimball v. Ætna Ins. Co.*, 9 Allen, 540. A false statement respecting a *future or contingent event* is not such fraud as will constitute the basis of an action of deceit. *Boulden v. Stilwell*, 100 Md. 543.

<sup>5</sup> *Kerr on Fraud and Mistake*, 90; *Leake on Contracts*, 182. See *Reed v. Sidener*, 32 Ind. 373; *Steamboat Belfast v. Boon*, 41 Ala. 68; *Drake v. Latham*, 50 Ill. 270; *Fish v. Cleland*, 33 Ill. 243; *Upton v. Tribilcock*, 91 U. S. 45; *Grant v. Grant*, 56 Me. 573; *Bigelow on Fraud*, 9; *Dowdall v. Cannedy*, 32 Ill. App. 207.

representations of law have been made, has been granted.<sup>1</sup> Where, indeed, there is a mutual *mistake* in regard to the effect of a legal instrument; or where the relations of the parties are such that the injured party relies upon the other, the rule may be different.<sup>2</sup> But the relief afforded in cases of this kind depends upon other heads of equity—viz., upon *mistake*, or upon fraud arising from the relation of the parties, the former of which has been already noticed.<sup>3</sup> In the present connection the rule must be stated to be, that misrepresentations of the law, apart from other considerations, do not constitute fraud in its technical sense, either at law or in equity.

### 213. *Suppressio veri.*

It has been already stated that fraud may consist in silence as well as in actual outspoken misrepresentation. The *suppressio veri*, whenever it becomes the means of deceit, is regarded with disfavor in equity, no less than the *suggestio falsi*. It is very true that a man is not always obliged to speak out. Under ordinary circumstances a vendor and a purchaser stand at arms' length,<sup>4</sup> and the former is not obliged at law or in equity, no matter what the rule of morality may be, to disclose latent defects in the subject-matter of the sale; nor is the purchaser bound to inform the seller of advantages known only to himself.<sup>5</sup> Lord Thurlow, as an illustration of this doctrine, put the case of a man buying land under which there was a mine known only to the purchaser, and said that the latter was not bound to disclose his knowledge.<sup>6</sup> Singular to say, such cases have

<sup>1</sup> See *Brown v. Rice*, 26 Gratt. 467; *Moreland v. Atchison*, 19 Tex. 303; *Allen v. Frawley*, 106 Wis. 638.

<sup>2</sup> *Peter v. Wright*, 6 Ind. 183; *Shaeffer v. Sleade*, 7 Blackf. 178; *Cooke v. Nathan*, 16 Barb. 342; *Langstaffe v. Fenwick*, 10 Ves. 405; *Cornish v. Johns*, 74 Ark. 231.

<sup>3</sup> *Supra*, § 185.

<sup>4</sup> But the relation *may*, under peculiar circumstances, be one of confidence. *Zahn v. McMillin*, 179 Pa. 146; *Murray v. Tolman*, 162 Ill. 417; 1 Perry on Trusts, 179.

<sup>5</sup> See *Laidlaw v. Organ*, 2 Wheat. 178; *Kintzing v. McElrath*, 5 Pa. 467;

*Hanson v. Edgerly*, 29 N. H. 343; *Smith v. Countryman*, 30 N. Y. 655; *Fisher v. Budlong*, 10 R. I. 525; *Hadley v. Clinton Importing Co.*, 13 Ohio St. 502; *Williams v. Spurr*, 24 Mich. 335; *Law v. Grant*, 37 Wis. 548; *Mitchell v. McDougall*, 62 Ill. 498; *Frensel v. Miller*, 37 Ind. 1; *Pennybacker v. Laidley*, 33 W. Va. 624. But in Missouri see *Cecil v. Spurger*, 32 Mo. 462; *McAdams v. Cates*, 24 Id. 223; *Barron v. Alexander*, 27 Id. 530; and in Mississippi see *Patterson v. Kirkland*, 34 Miss. 423, 431. See *Jones v. Stewart*, 62 Neb. 207.

<sup>6</sup> *Turner v. Harvey*, Jac. 169, 178.

actually arisen in this country, and the dictum of Lord Thurlow has been followed.<sup>1</sup>

If, however, a man professes to describe the article which he is selling, he must describe everything that is material. If he undertakes to tell the truth, it will not do for him to tell only part of the truth.<sup>2</sup> Moreover, where a seller has held out the existence of a material state of facts as an inducement, and knows that the proposed buyer is acting under that inducement, he is bound to advise the buyer of any change which has occurred pending the negotiations, and which has come to his knowledge.<sup>3</sup>

Nor can a man remain silent if it is his duty to speak. Suppression of the truth in such a case is a fraud.<sup>4</sup> Familiar illustrations of this principle are found in the contracts of insurance and suretyship, where from the situation of the parties the duty of disclosure is greater than in ordinary cases;<sup>5</sup> and under the same principle fall those cases in which a legatee has been held to be a trustee because he has by silent acquiescence encouraged a testator to make a bequest to him with the belief that it will be used for the benefit of another.<sup>6</sup>

While it is true, therefore, that the principle stated by Lord Thurlow is widely recognized, and the buyer is not bound to give the seller any information, yet on the other hand he must not use the slightest artifice to mislead him. If he does, the principle will not be applied.<sup>7</sup>

<sup>1</sup> *Harris v. Tyson*, 24 Pa. 347; *Williams v. Spurr*, 24 Mich. 335. But see *Williams v. Beasley*, 3 J. J. Marsh. 578. Consult *Law v. Grant*, 37 Wis. 548; *Bigelow on Fraud*, 33.

<sup>2</sup> *Kerr on Fraud and Mistake*, 91, 92; *Van Houten v. Morse*, 162 Mass. 414; *Aaron's Reefs v. Twiss* [1896], App. Cas. 273.

<sup>3</sup> *Loewer v. Harris*, 14 U. S. App. 615.

<sup>4</sup> See *Young v. Bumpass*, 1 Freem. Ch. 241; *Paddock v. Strobridge*, 29 Vt. 470, 477; *Carr v. Nat. Bank and Loan Co.*, 167 N. Y. 375; *Rogers v. Thornton*, 101 Ky. 650; *Holmes v. Martin*, 123 Mich. 155; *Oliver v. Oliver*, 118 Ga. 362; *Kerr on Fraud*

and *Mistake*, 95; *Leake on Contracts*, 184.

<sup>5</sup> See *Carter v. Boehm*, 3 Burr. 1905; 1 Sm. Lead. Cas. 791, note (9th ed.); notes to *Locke v. Am. Ins. Co.*, 2 Am. Lead. Cas. 926; *Wells, Fargo & Co.'s Express v. Walker*, 9 New Mex. 170; *Leake on Contracts*, 199; *Perry on Trusts*, § 179.

<sup>6</sup> *O'Hara v. Dudley*, 95 N. Y. 403; *Amherst Coll. v. Ritch*, 151 N. Y. 282; *Wallgrave v. Tebbs*, 2 K. & J. 313.

<sup>7</sup> *Stackpole v. Hancock*, 40 Fla. 362. And see *Thayer v. Knots*, 59 Kan. 181, for a case in which the seller was held entitled to have the contract rescinded.

## 214. Knowledge of the truth or falsehood by party making the representations; classification of cases on this subject.

The second of the requisites necessary to render a representation fraudulent was formerly said to be, that it must be false within the knowledge of the party making it.<sup>1</sup> But this statement is not, under the more modern authorities, entirely accurate; for a man, it is said, must be held responsible for asserting that which he does not know to be true, as much as if he designedly asserted that which he knew to be false, provided that the assertion has the effect of deceiving the other party.<sup>2</sup>

Where a man knows that what he says is untrue, the case is, of course, a very plain one. He must be answerable, even if the assertion of the untruth were made with good intentions and without designing any fraud.<sup>3</sup> The difficult cases are those in which the party does not know that his representations are untrue. Several different classes of cases may arise under this head.

Thus, in the first place, a party may be in entire ignorance whether his assertion is, in point of fact, true or false. Here the party may, in one sense, be said not to know that his assertion is false, for *non constat* but that it may turn out to be true. But it is quite plain that a man has no right wilfully to assert as a fact that of which he is in entire ignorance. Such reckless assertions ought to render him responsible both in morals and law. A man must believe the truth of what he says. It is, in law, a wilful falsehood for a man to assert of his own knowledge a matter of which he has no knowledge, and as to which he can, therefore, have no real belief.<sup>4</sup>

<sup>1</sup> See *Proctor v. Spatley*, 78 Va. 254, where the old rule is attempted to be upheld.

<sup>2</sup> *Pulsford v. Richards*, 17 Beav. 87; *Redgrave v. Hurd*, 20 Ch. D. 13; *Hough v. Richardson*, 3 Story, 659; *Smith v. Richards*, 13 Pet. 26; *Bennett v. Judson*, 21 N. Y. 238; *Marsh v. Falker*, 40 Id. 562; *Allen v. Hart*, 72 Ill. 104; *Converse v. Blumrich*, 14 Mich. 109, 123; *Glasscock v. Minor*, 11 Mo. 655; *Hunt v. Moore*, 2 Pa. 105; *Taymon v. Mitchell*, 1 Md. Ch. 496; *Reese v. Wyman*, 9 Ga. 439; *Turnbull v. Gadsden*, 2 Strob. Eq. 14; *Lewis v. McLemore*, 10 Yerg. 206; *Thompson v. Lee*, 31 Ala. 292; *Os-*

*wald v. McGehee*, 28 Miss. 340; *York v. Gregg*, 9 Tex. 85; *Joliffe v. Baker*, 11 Q. B. Div. 271; *Hill on Trustees*, 226 (4th Am. ed.); *Leake on Contracts*, 188, 189; *Lowe v. Trundle*, 78 Va. 65; *Weise v. Grove*, 123 Ia. 585.

<sup>3</sup> *Polhill v. Walter*, 3 B. & Ad. 114; *Bankhead v. Alloway*, 6 Cold. 75; *Barnes v. Union Pac. Ry. Co.*, 12 U. S. App. 1; 27 Id. 421; *Wheeler v. Baars*, 33 Fla. 696; *Hamlin v. Abell*, 120 Mo. 188; *Robertson v. Parks*, 76 Md. 118; *North Western Life Ins. Co. v. Montgomery*, 116 Ga. 799; *Leake on Contracts*, 187.

<sup>4</sup> *Hasard v. Irwin*, 18 Pick. 95; *Stone v. Denny*, 4 Metc. 151; *Kerr on*

Again, a man may honestly believe that what he asserts is true, when, in point of fact, it may turn out to be otherwise. The party in such a case is not liable. No man can be held responsible for a misrepresentation made through an honest mistake.<sup>1</sup> No fraudulent intention can be imputed in such a case.<sup>2</sup> If, however, he afterwards discovers the untruth, he must not allow the other party to act on the belief that no mistake has been made. To do so would be fraud.<sup>3</sup>

It is to be observed, moreover, that whether a man has or has not *reasonable grounds* for believing what he asserts, is not the question. The true criterion is, does he *actually believe*. "The existence or non-existence of reasonable grounds is a fact, from which actual belief may be inferred or not, as the case may be; and the unreasonableness of the alleged belief is evidence to disprove its real existence—nothing more."<sup>4</sup>

This was the language used in *Derry v. Peek*,<sup>5</sup> decided by the House of Lords in 1889. The case was an action of deceit. The defendants were the directors of a tramway company, and had issued a prospectus in which it was stated that the company had a right to use steam or mechanical motive-power instead of horses. As a matter of fact, the incorporating Act only provided that such power might be used with the consent of the Board of Trade. On the faith of the prospectus the plaintiff took shares. The board subsequently refused the necessary consent, and the company was wound up. The action was dismissed by

Fraud and Mistake, 54. See, also, remarks of Watkins Williams, J., in *Joliffe v. Baker*, 11 Q. B. Div. 271, and *Florida v. Morrison*, 44 Mo. App. 529.

<sup>1</sup> See *Fisher v. Mellen*, 103 Mass. 503; *Cabot v. Christie*, 42 Vt. 126; *Erie City Iron Works v. Barber*, 106 Pa. 139; *Schramm v. Haupt*, 38 Minn. 379; *Kerr on Fraud and Mistake*, 57. That class of cases must be put out of consideration, in which the mistake is one which relates to the substance of the contract. Thus, if a man were to sell a horse under the honest belief that he was alive at the time of the sale, when, in point of fact, it should afterwards turn out that the horse was dead, the purchaser would,

of course, be entitled to have the contract rescinded.

<sup>2</sup> *Leake on Contracts*, 187; and see *Boddy v. Henry*, 113 Iowa, 462. See, however, *Bankhead v. Alloway*, 6 Cold. 75.

<sup>3</sup> *Reynell v. Sprye*, 1 De G., M. & G. 660; *Loewer v. Harris*, 14 U. S. A. 615; *Kerr on Fraud and Mistake*, 67.

<sup>4</sup> *Derry v. Peek*, 14 App. Cas. 337; *Angus v. Clifford* [1891], 2 Ch. 449. See *Griswold v. Gebbie*, 126 Pa. 353, and the remarks of Hare, P. J., quoted in the opinion of the Supreme Court on page 364. See, also, *Glasier v. Rolls*, 42 Ch. D. 436, and *Lamberton v. Dunham*, 165 Pa. 129.

<sup>5</sup> 14 App. Cas. 337.

the Judge (Mr. Justice Sterling) before whom the cause was first heard. His ruling was reversed by the Court of Appeal, and the judgment of that tribunal was, in turn, reversed by the House of Lords. The case has been much criticised, and led to the passage of a statute by which the rule laid down was modified;<sup>1</sup> but the ruling of the House of Lords would seem to be based upon a distinction between the action of deceit (or what is the same thing, a bill in equity founded on actual fraud) and a bill for the rescission of a contract, which is sound. Moral wrong would appear to be necessary in the one case, but not in the other; and as far back as 1850, the same line of thought would seem to have been indicated by Chief Justice Gibson in *Bokee v. Walker*,<sup>2</sup> where he said: "There can be no constructive *dolus malus*; for where there is actual fraud there is no room for construction or legal direction. In an action for deceit, the jury have to deal with a question of good faith; and if they are *satisfied the defendant believed his own story*, it is their duty to find in his favor."<sup>3</sup>

But again, a party *may* be held responsible, even for an honest mistake, if the *duty* of knowing the truth is for any reason cast upon him.<sup>4</sup> In such a case, mistake, ignorance, or forgetfulness is no excuse.<sup>5</sup>

In all of these cases, the question is whether a fraudulent intent is to be imputed to the person making the representation.

If a person asserts what he does not believe to be true, fraud is presumed in law, even if no actual fraud was intended.<sup>6</sup>

If the assertion is honestly believed to be true, no fraudulent intent will be presumed

<sup>1</sup> 53 and 54 Vict., c. 64.

<sup>2</sup> 14 Pa. 142.

<sup>3</sup> See, also, *Graham v. Hollinger*, 46 Pa. 55, and *Dilworth v. Bradner*, 85 Id. 238.

<sup>4</sup> And the *duty* of knowing the truth may, under certain circumstances, be presumed. See language of Harlan, J., in *Lehigh Zinc & Iron Co. v. Bamford*, 150 U. S. 673; *Gerner v. Mosher*, 58 Neb. 135, and *Wilson v. Carpenter*, 91 Va. 183.

<sup>5</sup> *Burrowes v. Lock*, 10 Ves. 470; *Low v. Bouverie* [1891], 3 Ch. 82;

*Babcock v. Case*, 61 Pa. 430; *Kerr on Fraud and Mistake*, 69.

<sup>6</sup> A person who makes representations of material facts, assuming or intending to convey the impression that he has actual knowledge of the existence of such facts, when he is conscious that he has no such knowledge, is as much responsible for the injurious consequences of such representations, to one who believes and acts upon them, as if he had actual knowledge of their falsity. Harlan, J., in *Lehigh Zinc & Iron Co. v. Bamford*, 150 U. S. 665, 673.



If it is the *duty* of the party to know the truth, a misrepresentation will be presumed to be fraudulent.<sup>1</sup>

Moreover, it must be remembered that a contract may be *rescinded* on the ground of mutual mistake induced by representations honestly made, although the fact that the party making the representations believed them to be true might preclude a recovery in an action of deceit.<sup>2</sup>

### 215. Representation must be relied on.

The third requisite necessary to render a misrepresentation fraudulent, is that it must be reasonably relied on by the other

<sup>1</sup> See Bigelow on Fraud, 56 *et seq.* The following extracts from the opinion of Lord Chancellor Herschell in *Derry v. Peek*, 14 App. Cas. 337, may be useful:

"I think it important" (said the Lord Chancellor) "that it should be borne in mind that such an action (deceit) differs essentially from one brought to obtain rescission of a contract on the ground of misrepresentation of a material fact. The principles which govern the two actions differ widely. Where rescission is claimed, it is only necessary to prove that there was misrepresentation; then, however honestly it may have been made, however free from blame the person who made it, the contract having been obtained by misrepresentation cannot stand. In an action of deceit, on the contrary, it is not enough to establish misrepresentation alone; it is conceded on all hands that something more must be proved to cast liability upon the defendant, though it has been a matter of controversy what additional elements are requisite."

Again, Lord Herschell said: "I think the authorities establish the following propositions: *First*; In order to sustain an action of deceit, there must be proof of fraud, and nothing short of that will suffice. *Secondly*; Fraud is proved when it

is shown that a false representation is made (1) knowingly, or (2) without belief in its truth, or (3) recklessly, careless whether it be true or false. Although I have treated the second and third as distinct cases, I think the third is but an instance of the second, for one who makes a statement under such circumstances can have no real belief in the truth of what he states. To prevent a false statement being fraudulent, there must, I think, always be an honest belief in its truth. And this probably covers the whole ground, for one who knowingly alleges that which is false has obviously no such honest belief: *Thirdly*; If fraud be proved, the motive of the person guilty of it is immaterial. It matters not that there was no intent to cheat or injure the person to whom the statement was made."

The circumstance that a person who made an untrue statement could by the exercise of ordinary care have ascertained that the statement was false does not constitute in itself such fraud as will support an action of deceit. *Cahill v. Applegarth*, 98 Md. 493.

<sup>2</sup> See the remarks of Lord Chancellor Herschell quoted in the preceding note. See, also, *Blygh v. Samson*, 137 Pa. 376.

party, and this obviously includes two subdivisions; first, the party must have a *right*, as a reasonable being, to rely upon the representation; and, second, he must, in point of fact, so rely upon it.<sup>1</sup> No man, for example, would be heard to complain of a representation so wildly extravagant and so palpably absurd and false that no reasonable human being could possibly be deceived thereby;<sup>2</sup> and the same rule has, with justice, been applied to statements of a vague and uncertain character.<sup>3</sup> Nor could a contract be rescinded for a misrepresentation, if its falsity were known to the party to whom it was made.

If the party to whom the representation is made resorts to inquiries on his own account, and shows by his conduct that he relies upon them, he cannot complain of a misrepresentation.<sup>4</sup> *A fortiori*, if he was actually aware of the true state of the case—for then he was not deceived.<sup>5</sup> And a man is bound to make use of the means of information.<sup>6</sup> But if the parties do not deal upon equal terms (as if one has better means of knowledge than the other), or if any artifice is used for the purpose of preventing inquiry, or if they deal on the basis of trust and confidence, the transaction will be fraudulent.<sup>7</sup>

<sup>1</sup> *Garrison v. Technic. Electrical Works*, 59 N. J. Eq. 440; *Youle v. Fosha*, 76 Kan. 20.

<sup>2</sup> See opinion of Shipley, J., in *Irv- ing v. Thomas*, 18 Me. 418, 424, and *Trammell v. Ashworth*, 99 Va. 646.

<sup>3</sup> *Halls v. Thompson*, 1 Sm. & M. 443; *Savage v. Jackson*, 19 Ga. 305. But he has a right to rely upon a positive statement of fact. *Perry v. Rogers*, 62 Neb. 898.

<sup>4</sup> *Attwood v. Small*, 6 Cl. & Fin. 232, 236; *Jennings v. Broughton*, 17 Beav. 234; 5 De G., M. & G. 126, 136; *Clark v. Everhart*, 63 Pa. 347. See, also, *Tindall v. Harkinson*, 19 Ga. 448; *Bell v. Henderson*, 6 How. (Miss.) 311; *Glasscock v. Minor*, 11 Mo. 655; *Yeates v. Pryor*, 11 Ark. 58; *Pratt v. Philbrook*, 33 Me. 17; *Wimer v. Smith*, 22 Oreg. 469; *Buxton v. Jones*, 120 Mich. 522; *West End Co. v. Claiborne*, 97 Va. 734; *Garrison v. Technic. Elec. Works*, 59 N. J. Eq. 440. See *Redgrave v. Hurd*, 20 Ch.

D. 13, for an examination of this question and for an explanation of *Attwood v. Small*.

<sup>5</sup> *Hough v. Richardson*, 3 Story, 659; *Veasey v. Doton*, 3 Allen, 380; *Kerr on Fraud and Mistake*, 75 *et seq.* See, also, *Winter's Appeal*, 61 Pa. 307, and *Parker v. Hayes*, 39 N. J. Eq. 469.

<sup>6</sup> *Wright v. Gully*, 28 Ind. 475; *Jones v. Rush*, 156 Mo. 364; *Martin v. Harwell*, 115 Ga. 156; *Clark v. Everhart*, 63 Pa. 347; *Brown v. Leach*, 107 Mass. 364.

<sup>7</sup> See *Mead v. Bunn*, 32 N. Y. 275; *Gammill v. Johnson*, 47 Ark. 335; *Edelman v. Latschaw*, 180 Pa. 424; *Ray v. Baker*, 165 Ind. 74; *Rohrof v. Schulte*, 154 Id. 183; *Clinkenbeard v. Weatherman*, 157 Mo. 105; *Dean v. Ross*, 178 Mass. 397; *Watson v. Brown*, 113 Iowa, 308; *Hunt v. Barker*, 22 R. I. 18; *McGhee v. Bell*, 170 Mo. 121; *David v. Moore*, 46 Oreg. 148.

**216. Representation must be material; *dolus dans locum contractui*.**

The last requisite to a fraudulent representation is that it must furnish a substantial inducement to the contract; in other words, it must be material. In the language of the civil law, it must be *dolus dans locum contractui*. The test is whether the party would have entered into the contract if the fraudulent representation had not been made.<sup>1</sup>

But trifling and immaterial misrepresentations will not induce a court of equity to interfere.<sup>2</sup> Thus, in a case in Iowa representations were made in reference to a patent right, which was the subject of a sale, in a certain particular. It turned out that the representation was untrue, but that the value of the invention was not, on that account, materially affected; and there was no evidence that the purchaser was influenced thereby. It was held that the purchaser was not entitled to have the contract set aside.<sup>3</sup>

**217. Party deceived must be injured; representations by agents.**

The definition of actual fraud already given is, that it is an artifice by which a person is deceived to his *disadvantage*. The emphasis upon the last word in the definition indicates that one other element of fraudulent misrepresentation yet remains to be noticed, viz., that the party complaining must have been injured thereby.<sup>4</sup> Fraud without damage is no ground for relief at law or in equity.<sup>5</sup> But any damage, however small, will be enough to set the court in motion.<sup>6</sup>

<sup>1</sup> Pulsford v. Richards, 17 Beav. 87, 96; Arnison v. Smith, 41 Ch. D. 348; Morris Canal Co. v. Emmett, 9 Paige Ch. 168; Levick v. Brotherline, 74 Pa. 157; Masterton v. Beers, 6 Robertson, 368; 1 Sweeney, 406; Bryan v. Hitchcock, 43 Miss. 531; Klopenstein v. Mulcahy, 4 Nev. 296; Daniel v. Mitchell, 1 Story, 172; Percival v. Harger, 40 Ia. 286; Morris v. Posner, 111 Iowa, 336; 2 Parsons on Contracts, 769; Kerr on Fraud and Mistake, 73, 74.

<sup>2</sup> See Geddes v. Pennington, 5 Dow. 159; Winston v. Gwathmey, 8

B. Mon. 19; Garrison v. Technic. Elec. Works, 59 N. J. Eq. 440; Perry on Trusts, § 174.

<sup>3</sup> Percival v. Harger, 40 Ia. 286.

<sup>4</sup> See Wells v. Waterhouse, 22 Me. 131; Branham v. Record, 42 Ind. 181; Rogers v. Higgins, 57 Ill. 244; Lindsey v. Lindsey, 34 Miss. 432; Taylor v. Guest, 58 N. Y. 262; Savoie v. Meyers, 40 La. Ann. 677; Bigelow on Fraud, 85; Provident Trust Co. v. McIntosh, 68 Kan. 452.

<sup>5</sup> Clarke v. White, 12 Pet. 178; Abbe v. Dewey, 25 Pa. 413; Marr's Appeal, 78 Id. 69; Kerr on Fraud

<sup>6</sup> Smith v. Kay, 7 H. L. Cas. 750, 775.

It must be remembered, in considering all the rules in regard to misrepresentation, that, although a misrepresentation is usually by words, it is not always so, and that deceit by acts will be an equally good ground for relief.<sup>1</sup> And it must also be remembered that the rules above discussed are not to be rigidly adhered to, where to do so would be to allow fraud to go unpunished. Equity, as already stated, will redress fraud in whatever shape it may appear, and any misrepresentation amounting, in the eyes of a chancellor, to a fraud will induce the court to act.<sup>2</sup>

If false and fraudulent representations are made by an agent, the principal, although he be innocent of the fraud, cannot derive any benefit from the transaction founded on such misrepresentation.<sup>3</sup> He must either repudiate the whole transaction, or, if he adopts it, he must be answerable for his agent's conduct;<sup>4</sup> for where once a fraud has been committed not only is the person who committed the fraud precluded from deriving any benefit from it, but every innocent person is so likewise, unless he has innocently acquired a subsequent interest.<sup>5</sup> And, on the other hand, under some circumstances a party who has been induced to enter into an agreement by the misrepresentations of an agent, is entitled to have the contract rescinded. Thus, where subscriptions to the capital stock of a company have been induced by the fraudulent representations or statements of an agent appointed to obtain subscriptions, they may be avoided by the subscribers.<sup>6</sup>

### 218. Trustees *ex maleficio*.

Before leaving the subject of fraud which arises from facts and

and Mistake, 94. But see *Brett v. Cooney*, 75 Conn. 338.

<sup>1</sup> *Crawshay v. Thompson*, 4 M. & G. 387. See *McCall v. Davis*, 56 Pa. 435; *Kerr on Injunctions*, 474.

<sup>2</sup> See *Kuelkamp v. Hidding*, 31 Wis. 503.

<sup>3</sup> See remarks of Lord Westbury in *New Brunswick Railway Co. v. Conybeare*, 9 H. L. Cas. 726, and by Lord Cranworth, Id. 739; and of Lord Kingsdown in *Bristow v. Whitmore*, 9 H. L. Cas. 418. See, also, *Mundorff v. Wickersham*, 63 Pa. 89; *Meyerhoff v. Daniels*, 173 Id. 555; *Elwell v.*

*Chamberlin*, 31 N. Y. 611; *Concord Bank v. Gregg*, 14 N. H. 331; *Kerr on Fraud and Mistake*, 111.

<sup>4</sup> See *Fitssimmons v. Joslin*, 21 Vt. 129. The case of *Cornfoot v. Fowke*, 6 Mees. & Wels. 358, can scarcely now be considered law. See *Knappen v. Freeman*, 47 Minn. 491.

<sup>5</sup> *Scholefield v. Templer*, Johns. Ch. 155; *Hartopp v. Hartopp*, 21 Beav. 259.

<sup>6</sup> *Crossman v. Penrose Ferry Bridge Co.*, 26 Pa. 69. See, also, *Custar v. Titusville Gas and Water Co.*, 63 Id. 385.

circumstances of imposition, notice must be taken of a class of cases in which the effect of the fraud has been held to be to create a trust—the party committing the fraud being termed a trustee *ex maleficio*;<sup>1</sup> and such a trust will arise in spite of the Statute of Frauds, or, to speak more correctly, the Statute will not be held to apply to cases of that description.

It has been already said, in discussing the nature of resulting trusts,<sup>2</sup> that where no money is advanced by the beneficial owner, and there is nothing more in the transaction than is implied from the violation of a parol agreement, equity will not decree the purchaser to be a trustee.<sup>3</sup> This is true where there is no fraud; but not where there is fraud.<sup>4</sup> In the latter case, a constructive trust will arise in favor of the party to whom the parol promise has been made. Thus, in *Cook v. Cook*,<sup>5</sup> J.'s land being about to be sold by the sheriff, he asked P. to buy it for him. P. agreed to do so, and informed other bidders at the sale of the arrangement, and thereby induced them to desist from bidding. It was held that he took the property as trustee for J.<sup>6</sup> So, also, where a testator devised real estate to his daughter by her persuasion and under her promise that on her death one-half of it should pass to the children of her sister, it was held that a trust *ex maleficio* arose.<sup>7</sup> Other instances of the rule may be found in

<sup>1</sup> See *ante*, § 91; *Wingarter v. Wingarter*, 71 Cal. 105; *Piper v. Hoard*, 107 N. Y. 73; *Angle v. Chicago, St. Paul, etc., Ry.*, 151 U. S. 1-26; *Lockhart v. Leeds*, 195 U. S. 436.

<sup>2</sup> *Ante*, § 80. See, also, *Kistler's Appeal*, 73 Pa. 398.

<sup>3</sup> *Barry v. Hill*, 166 Pa. 344; *Braun v. First German E. L. Church*, 198 Pa. 157; *Oden v. Lockwood*, 136 Ala. 514.

<sup>4</sup> See *Leahy v. Witte*, 123 Mo. 207, for a close case.

<sup>5</sup> 69 Pa. 443.

<sup>6</sup> See, also, *Brown v. Dysinger*, 1 Rawle, 408; *Seylar v. Carson*, 69 Pa. 81; *Boynnton v. Housler*, 73 Id. 453; *Beegle v. Wents*, 55 Id. 369; *Sechrist's Appeal*, 66 Id. 237; *Thomson's Lessee v. White*, 1 Dall. 447; *Wolford v. Herrington*, 74 Pa. 311;

*Phillips v. Hardenberg*, 181 Mo. 463; *Diakson v. Stewart*, 71 Neb. 424. But it seems that this rule will apply to those cases only in which the party who relies upon the verbal promise has an interest in the land (and a mere initiate right of courtesy in the promisee is not sufficient, *Lancaster Trust Co. v. Long*, 220 Pa. 499). See *Wolford v. Herrington*, 86 Pa. 89, overruling the dicta in *Wolford v. Herrington, supra*.

<sup>7</sup> *Church v. Ruland*, 64 Pa. 443; *Gilpatrick v. Glidden*, 81 Me. 187; *Amherst Coll. v. Ritch*, 151 N. Y. 282; *Ahrens v. Jones*, 169 Id. 555; *Hoffner's Estate*, 161 Pa. 331; *Stone v. Manning*, 103 Tenn. 232; *Campbell v. Moore*, 124 Ala. 236; *Ransdell v. Moore*, 153 Ind. 393; *Pollard v. McKenney*, 69 Neb. 742; *Smullin v. Wharton*, 73 Neb. 667.

the notes.<sup>1</sup> The ground of these decisions is that the Statute of Frauds is not to be used as a shelter for fraud;<sup>2</sup> and that where a party has by his promise to buy or hold or dispose of real estate for the benefit of another induced action or forbearance by reliance upon such promise, it would be a fraud that the promise should not be enforced;<sup>3</sup> and that the method of enforcement will be through the machinery of a trust.

## SECTION II.

### FRAUD ARISING FROM THE INTRINSIC NATURE OF THE TRANSACTION.

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| <p>219. Contracts void by reason of their terms; inadequacy of consideration.</p> <p>220. Bargains by reversioners and expectant heirs.</p> <p>221. Change of the law in England.</p> <p>222. Usurious contracts.</p> <p>223. Gambling contracts.</p> <p>224. Contracts void by reason of</p> | <p>their subject-matter; <i>ex turpi causâ non oritur actio</i>.</p> <p>225. Gifts in restraint of marriage; rule of the Roman Law.</p> <p>226. Conditions in general restraint of marriage.</p> <p>227. Conditions in partial restraint.</p> <p>228. Contracts in restraint of trade.</p> <p>229. Sales of public offices.</p> |
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#### 219. Contracts void by reason of their terms; inadequacy of consideration.

The second of the classes into which frauds were divided in *Chesterfield v. Janssen*, embraces those cases in which fraud is presumed to arise from the intrinsic nature and subject-matter of the transaction itself, without any violation of fiduciary relations.

<sup>1</sup> *Squires's Appeal*, 70 Pa. 266; *Gruhn v. Richardson*, 128 Ill. 178; *Broder v. Conklin*, 77 Cal. 330; *Manning v. Pippen*, 86 Ala. 357; *Kent v. Dean*, 128 Id. 600; *Buckingham v. Clark*, 61 Conn. 204; *Rollins v. Mitchell*, 52 Minn. 41; *Rosell v. Vansyckle*, 11 Wash. 79; *Cutler v. Babcock*, 81 Wis. 195; *Goodwin v. McMinn*, 193 Pa. 646; *Gregory v. Bowsby*, 126 Ia. 588; *Aldrich v. Hassinger*, 13 Hawaii, 138; *Newis v. Topfer*, 121 Ia. 433; *Parker v. Catron*, 120 Ky. 145; *Harrison v. Craven*, 188

Mo. 590; *Barker v. Montana Gold Mining Co.*, 35 Mont. 351; *Russell v. Wade*, 146 N. C. 116; *McDonald v. Tyner*, 84 Ark. 189; *Hilt v. Simpson*, 230 Ill. 170; *Gammel v. Fletcher*, 76 Kan. 577; *Coyne v. Supreme Conclave*, 106 Md. 54; *Virginia Coal Co. v. Lambert*, 107 Va. 368.

<sup>2</sup> See *Haigh v. Kaye*, L. R. 7 Ch. 469.

<sup>3</sup> *Giffen v. Taylor*, 139 Ind. 573. But *Peterson v. Boswell*, 137 Id. 211, would not seem to be in accord with this rule. *Davis v. Kerr*, 141 N. C. 11.

A transaction may be inherently fraudulent,—that is to say, its fraudulent character may be inferred from its very nature—for one of two reasons, either, first, because of its *terms*; or second, because of its *subject-matter*.<sup>1</sup>

And first, a contract may be inherently fraudulent from its very terms. Of contracts of this kind, instances will be found in those cases in which inadequacy of consideration sometimes justifies a rescission.

Ordinarily, inadequacy of consideration will be insufficient to set a bargain aside, or to justify a refusal to enforce its specific performance.<sup>2</sup> Where, however, the inadequacy is so great as to “shock the conscience” (which is the phrase usually employed), the contract may be rescinded. Cases, indeed, very rarely occur in which inadequacy of consideration exists alone as a ground for rescission; for it is but seldom that a man would make a bargain of such a character, unless he were deceived by actual fraud, or were deficient in intellect, or were subject to undue influence, all of which circumstances would of themselves call for equitable interposition.<sup>3</sup> A case, therefore, of fraud from inadequacy of consideration, pure and simple, and unmixed with any other kind of fraud, is of very rare occurrence. Nevertheless, the rule must be considered as well settled, although rather by dicta than by decisions, that a transaction will be set aside if there is “an inequality so strong, gross, and manifest, that it

<sup>1</sup> It will be observed that many of the contracts which are discussed in this section are of an *illegal*, rather than of a strictly *fraudulent* nature. The relief, however, which equity affords in such cases is usually considered as falling under the head of fraud (see 1 Story’s Eq. Jurisp., Chap. VII.), and is, therefore, so treated in the present work.

<sup>2</sup> Harrison v. Guest, 6 De G., M. & G. 424; 8 H. L. Cas. 481; Erwin v. Parham, 12 How. 197; Slater v. Maxwell, 6 Wall. 273; Osgood v. Franklin, 2 Johns. Ch. 1, 23; Davidson v. Little, 22 Pa. 245; Cummings’s Appeal, 67 Id. 404; Bedel v. Loomis, 11 N. H. 9; Park v. Johnson, 4 Allen, 259; Lee v. Kerby, 104 Mass. 420, 428; Hemingway v. Cole-

man, 49 Conn. 390; Seymour v. Delancy, 3 Cow. 445; Wintermute v. Snyder, 3 N. J. Eq. 489; Weber v. Weitling, 17 Id. 441; Shepherd v. Bevin, 9 Gill, 32; Cribbins v. Markwood, 13 Gratt. 495; Banner v. Rosser, 96 Va. 238; Bresee v. Bradfield, 99 Id. 331; Butler v. Haskell, 4 Dess. 651; White v. Flora, 2 Tenn. 426; January v. Martin, 1 Bibb, 586; Steele v. Worthington, 2 Ohio, 182; Warner v. Daniels, Wood & Min. 92; Wood v. Craft, 85 Ala. 260; Cooper v. Reilly, 90 Wis. 427; 1 Sug. V. & P. 419 (8th Am. ed.); Zempel v. Hughes, 235 Ill. 424.

<sup>3</sup> See Haygarth v. Wearing, L. R. 12 Eq. 320; Grindrod v. Wolf, 38 Kan. 292.

must be impossible to state it to a man of common sense without producing an exclamation at the inequality of it."<sup>1</sup>

The relief, however, in such cases is granted (it is said) not on the ground of inadequacy of consideration, but on the ground of fraud as evidenced thereby.<sup>2</sup>

While chancery might hesitate to interfere solely on the ground of inadequacy of price, yet courts of equity are not slow to seize upon other circumstances impeaching the fairness of the transaction where gross inadequacy exists.<sup>3</sup>

Equity, moreover, will sometimes refuse to enforce the specific performance of a contract, where the consideration is grossly inadequate, although it might not interfere to rescind the contract if executed.<sup>4</sup> Immense disproportion between value and cost shocks the conscience of a chancellor and forbids the supporting action of a court of equity.<sup>5</sup>

## 220. Bargains by reversioners and expectant heirs.

There was, however, until recently, an important class of cases in which inadequacy of consideration had been held suffi-

<sup>1</sup> *Per* Lord Thurlow in *Gwynne v. Heaton*, 1 Bro. C. C. 8. See, also, *James v. Morgan*, 1 Lev. 111 (the horseshoe case); *Summers v. Griffiths*, 35 Beav. 27; *Byers v. Surget*, 19 How. 303; *Eyre v. Potter*, 15 Id. 60; *Osgood v. Franklin*, 2 Johns. Ch. 1; *Gifford v. Thorn*, 9 N. J. Eq. 702; *Hodgson v. Farrell*, 15 Id. 88; *Morris v. Philliber*, 30 Mo. 145; *Mitchell v. Jones*, 50 Id. 438; *Macoupin Co. v. People*, 58 Ill. 191; *Madison Co. v. People*, Id. 456; *Weist v. Garman*, 3 Del. Ch. 422; *Butler v. Haskell*, 4 Dess. 651; *Hamet v. Dundass*, 4 Pa. 178; *Davidson v. Little*, 22 Id. 245; *Sime v. Norris*, 8 Phila. R. 84 (disapproved in *Boyce v. Fisk*, 110 Cal. 107); *Coffee v. Ruffin*, 4 Cold. 507; *Tally v. Smith*, 1 Id. 290; *Stephens v. Osbourne*, 107 Tenn. 572; *Kelly v. McGuire*, 15 Ark. 555; *Case v. Case*, 26 Mich. 484; *Dunn v. Chambers*, 4 Barb. 376; *Taylor v. Atwood*, 47 Conn. 498; *Brown v. Hall*, 14 R. I. 249; *Howard v. Howard*, 87 Ky. 616;

*Galbraith v. McLaughlin*, 91 Iowa, 399; *Garrett v. Kansas City Coal Mining Co.*, 113 Mo. 330.

<sup>2</sup> *Kerr on Fraud and Mistake*, 187. See, also, *Bigelow on Fraud*, 137; *Coffey v. Sullivan*, 63 N. J. Eq. 296; *Jones v. Degge*, 84 Va. 685; *St. Louis Ry. Co. v. Phillips*, 27 U. S. App. 643.

<sup>3</sup> *Schroeder v. Yeung*, 161 U. S. 334; and see p. 338, where Mr. Justice Brown rehearses a number of circumstances which ordinarily will justify such action by the court, and where the authorities are reviewed. See, also, *Wenegar v. Bollenbach*, 180 Ill. 222.

<sup>4</sup> See *Graham v. Panoast*, 30 Ia. 97; *Osgood v. Franklin*, 2 Johns. Ch. 1; *Eastman v. Palmer*, 46 N. H. 464; though see *Powers v. Mayo*, 97 Mass. 180; and *O'Brien v. Boland*, 166 Mass. 481. See, also, *post*, § 374, and cases there cited.

<sup>5</sup> *Randolph v. Quidnick Co.*, 135 U. S. 459.



cient to set the contract aside, although not amounting to that gross and shocking inequality mentioned above.

These were cases of sales of their interests by heirs and reversioners.<sup>1</sup> The law upon the subject was altered by Statute of 31 and 32 Vict., c. 4; but as the former English doctrines have been considered and adopted in several decisions in this country, it will be proper to notice them. Heirs and reversioners were supposed in the eye of the law to be so liable to imposition, and to be so exposed to chances of being induced to make hard and unfair agreements touching the disposition of their expectant interests, that it has been deemed a matter of policy to lay it down as a general rule, that he who deals with them has cast upon him the burden of showing that the purchase was a fair one, and the price paid a reasonable sum, and of the full value.<sup>2</sup>

Heirs and reversioners are very often driven by great distress to make these bargains, and those who deal with them are prone to take an inequitable advantage of their condition, and the parties do not stand upon equal terms. It has, therefore, been found necessary to lay down the rule, that in all these transactions distress and consequent inequality will be presumed to exist, and the *onus* of proving that the price is an adequate one is thrown on the purchaser.<sup>3</sup>

<sup>1</sup> See *Webster v. Cook*, L. R. 2 Ch. 546, and *James v. Kerr*, 40 Ch. D. 449. Though in some cases it has been held that the rule stated in the text does not apply to reversioners. *Cribbins v. Murkwood*, 13 Gratt. 495. See *Nevill v. Snelling*, 43 L. T. Rep. (N. s.) 244.

<sup>2</sup> *McClure v. Raben*, 133 Ind. 507; *Chambers v. Chambers*, 139 Id. 111; *Wright v. Wright*, 51 N. J. Eq. 475.

<sup>3</sup> *Shelly v. Nash*, 3 Maddocks, 235; *Earl of Aylesford v. Morris*, L. R. 8 Ch. 490; *O'Rourke v. Bolingbroke*, 2 App. Cas. 814-834 (where the rule as to the *onus probandi* was recognized, although it was held by a majority of the Lords—Lord Hatherly dissenting—that the burden of proof had in that case been satisfied). *Savery v. King*, 5 H. L. Cas. 627; *Edwards v.*

*Burt*, 2 De G., M. & G. 55; *Fry v. Lane*, 40 Ch. D. 320; *Rae v. Joyce*, 29 L. R. (Ir.) 500; *Kevans v. Joyce* [1896], 1 I. R. 442-473. See, also, *Jenkins v. Pye*, 12 Pet. 241; *Butler v. Haskell*, 4 Dess. 651; *Boynnton v. Hubbard*, 7 Mass. 112; *Hale v. Holton*, 90 Tex. 427; *Poor v. Hasleton*, 15 N. H. 564; *Larrabee v. Larrabee*, 34 Me. 477; *Power's Appeal*, 63 Pa. 443; *Mastin v. Marlow*, 65 N. C. 695; *Lowry v. Spear*, Bush, 451; *Varick v. Edwards*, 1 Hoff. Ch. 382; *Fitch v. Fitch*, 8 Pick. 480; *Trull v. Eastman*, 3 Met. 121; *Nimmo v. Davis*, 7 Tex. 26; *Needles v. Needles*, 7 Ohio St. 432; *Butler v. Duncan*, 47 Mich. 94; *Notes to Chesterfield v. Janssen*, 1 Lead. Cas. Eq. 428; 1 Sug. V. & P. 426 (8th Am. ed.); *Grindred v. Wolff*, 38 Kan. 202. In some cases the court will direct an inquiry as to the value

Indeed, in some cases, the Court of Chancery in England has extended its protection to expectant heirs to a degree which almost incapacitated them from binding themselves by any contract; and bargains of their inheritance have been set aside, although the conduct of the purchaser may have been entirely unimpeachable. "There was nothing dishonorable or immoral in the defendant's conduct," said Sir William Grant, in a case which well illustrates the extent to which the English doctrine was carried, "but he has obtained a bargain of which, upon the principles of this court, he cannot avail himself."<sup>1</sup> A decree was accordingly made directing a reconveyance of the premises in question, upon payment of the loan with interest.

It was at one time held that the circumstance that the father knew of the design of the son to dispose of his expectant interest, and did not oppose the same, would alter the general rule, and render the transaction unimpeachable.<sup>2</sup> But the truer doctrine seems to be that the right to set the transaction aside is the son's equity, and cannot be taken away from him by any knowledge or consent on the part of the father.<sup>3</sup>

Where there is a family arrangement made between father and son in regard to the disposition of the reversionary interest, in which no undue influence appears to have been used, the transaction will be upheld; <sup>4</sup> and this is the case, not only in England, but also in the United States, where releases by children of their interests in the estate of parents, in consideration of present advancements, have been held valid.<sup>5</sup>

Indeed, it may be said that the tendency of modern American decisions is to uphold the transfer of reversionary and expectant interests, unless there is a confidential relation or actual bad faith.<sup>6</sup>

of the reversionary interest. 1 Sug. V. and P. 427.

<sup>1</sup> *Evans v. Peacock*, 16 Ves. 512.

<sup>2</sup> *King v. Hamlet*, 2 My. & K. 456, approved in 3 C. & F. 218. See *McClure v. Raben*, 133 Ind. 507.

<sup>3</sup> See the remarks of Lord Chancellor Selborne in *Earl of Aylesford v. Morris*, L. R. 8 Ch. 491; Sug. V. & P. 316 (11th ed.); note to *Chesterfield v. Janssen*, 1 Lead. Cas. Eq. 485.

<sup>4</sup> *Tweddell v. Tweddell*, T. & R. 13; 1 Sug. V. & P. 427 (8th Am. ed.).

<sup>5</sup> *Quarles v. Quarles*, 4 Mass. 680; *Kenney v. Tucker*, 8 Id. 143; *Powers' Appeal*, 63 Pa. 443. The intention that the release is to cover future interests must be plainly manifest. See *Miller's Appeal*, 31 Pa. 340.

<sup>6</sup> *Whelen v. Phillips*, 151 Pa. 312-322; *Kuhns's Appeal*, 163 Pa. 438; *Clendening v. Wyatt*, 54 Kan. 525; *Singer's Estate*, 217 Pa. 295; *Hudson v. Hudson*, 222 Ill. 527; *McAdams v. Bailey*, 169 Ind. 532.

Sales of reversionary interests may be made at auction, or, it seems, after a fair valuation,<sup>1</sup> and the rule as to the voidability of these contracts does not apply in cases where the holder of the particular estate joins with the reversioner, for *there* both owners constitute, as it were, one party controlling the whole fee, and dealing with the purchaser on equal terms.<sup>2</sup>

Where any transaction with an expectant heir or reversioner is set aside on the sole ground of inadequacy of price, the court will only give relief upon the payment of the sum actually advanced, with interest and costs. This is in accordance with the maxim explained in the Introduction, that he who seeks equity must do equity.<sup>3</sup> The application of this maxim to the class of transactions now under consideration is thoroughly established in England, and would seem to be recognized, as a general rule, in this country.<sup>4</sup>

### 221. Change of the law in England.

It was stated above that the law upon the subject of sales by reversioners has been altered in England. This was effected by Stat. 31 and 32 Vict., c. 4, by which it was enacted that no purchase made *bona fide*, and without fraud or unfair dealing, of any reversionary interest in real or personal estate, should be thereafter opened or set aside merely on the ground of undervalue. Under a proper construction of the language of this act, however, it has been held that the exception in the statute leaves *unfair* dealings untouched, and that the statute has not repealed the doctrines of the Court of Chancery, by which protection is thrown around unwary young men in the hands of unscrupulous persons, ready to take advantage of their necessities.<sup>5</sup>

<sup>1</sup> *Shelly v. Nash*, 3 Mad. 232; Lord v. Jeffkins, 35 Beav. 7.

<sup>2</sup> See notes to *Chesterfield v. Janssen*, 1 Lead. Cas. Eq. 606 (4th Eng. ed.).

<sup>3</sup> *Ante*, § 43.

<sup>4</sup> *Wharton v. May*, 5 Ves. 27 (and see the decree in that case, as stated in same volume, pp. 68 and 69); *Evans v. Peacock*, 16 Id. 512; *Boyd v. Dunlap*, 1 Johns. Ch. 478; *Williams v. The Savage Mfg. Co.*, 1 Md. Ch. 306; 3 Id. 420; *Boynton v. Hubbard*, 7 Mass. 112; American note to *Chesterfield v. Janssen*, 1 Lead. Cas. Eq.

836 (4th Am. ed.). See *Seylar v. Carson*, 69 Pa. 81, and *Smull v. Jones*, 6 W. & S. 128, for decisions which seem to be at variance with this general doctrine, and the remarks on those cases in 1 Lead. Cas. Eq. 836.

<sup>5</sup> *Miller v. Cook*, L. R. 10 Eq. 641; *Tyler v. Yates*, L. R. 6 Ch. 665; *Earl of Aylesford v. Morris*, 8 Id. 484. It has also been held that the repeal of the usury laws in no way affects the jurisdiction of the court in reference to dealings with expectant heirs. *Croft v. Graham*, 2 D. J. & S. 155; *Rees v. DeBernardy* [1896], 2 Ch. 437.

Contracts made by sailors for the disposition of their prize money stand very nearly, if not quite, upon the same footing as the transactions which have just been considered; and if courts of equity will not in all cases set aside agreements of this description, they will at least do so where the slightest inequality appears, or any undue advantage whatever has been taken.<sup>1</sup>

## 222. Usurious contracts.

Another class of contracts which are fraudulent because of their terms are contracts which stipulate for usury. Usury is defined to be an exorbitant profit for the use of money;<sup>2</sup> and it is a subject which, in most countries, is regulated by statute.

No usury laws now exist in England, the statutes forbidding it having been repealed. It has, nevertheless, been decided that the repeal of these laws did not alter the doctrine by which the Court of Chancery affords relief against improvident and extravagant bargains.<sup>3</sup>

By the former English acts, contracts tainted with usury were absolutely void. In some of the United States the usurious excess over the lawful rate alone is void.

Courts of equity, following the rule of law laid down by the statute, will not assist a lender to enforce a usurious contract;<sup>4</sup> and it will, on the other hand, in a proper case,<sup>5</sup> aid the borrower to recover back the amount paid for usurious interest, or may decree a surrender of securities left as collateral for a usurious debt.<sup>6</sup>

But if the borrower, before repayment of the loan, comes into court to have the transaction set aside, the court will afford relief only upon condition of paying the amount actually due, i. e., the principal sum borrowed with lawful interest.<sup>7</sup>

<sup>1</sup> *Taylor v. Rochfort*, 2 Ves. Sr. 281; *How v. Weldon*, Id. 516, 518; *Baldwin v. Rochfort*, 1 Will. 229; *Story's Eq. Jurisp.* § 332.

<sup>2</sup> 2 Black. Com. 456; *Duquesne Bank's Appeal*, 74 Pa. 426.

<sup>3</sup> *Earl of Aylesford v. Morris*, L. R. 8 Ch. 484. See, also, *Sims v. Norris*, 8 Phila. 84.

<sup>4</sup> *Fanning v. Dunham*, 5 Johns. Ch. R. 142.

<sup>5</sup> See *Atkinson v. Allen*, 36 U. S.

App. 255, where relief in equity was refused on the ground that there was an ample defence at law.

<sup>6</sup> *Peters v. Mortimer*, 4 Edw. Ch. 279; *Vandergriff v. Swinney*, 158 Mo. 527; *Kommer v. Harrington*, 83 Minn. 114; *Portneuf Lodge v. Western Saving Co.*, 6 Idaho, 673. See *Mumford v. McVeigh*, 92 Va. 446.

<sup>7</sup> See *Whitehead v. Peck*, 1 Kelly, 140; *Bellinger v. Edwards*, 4 Irred. Eq. 449; *Rogers v. Rothbun*, 1 Johns.

Equity will also relieve in cases where the usurious loan assumes the appearance of a sale. The goods in such a transaction are usually taken by the borrower at an exorbitant rate on credit, and are then resold by him, so that the transaction substantially amounts to a loan of the sum realized by the resale, at a usurious interest. In such a case equity will set the transaction aside, upon repayment of the sum produced by the resale, with lawful interest.<sup>1</sup>

### 323. Gambling contracts.

Still a third class of contracts, which are regarded with disfavor both at law and in equity, on account of the iniquity of their terms, is that which embraces gambling transactions.

A bet at common law was good, unless there was some special ground of invalidity by reason of public policy—as, for example, a wager upon elections.

An act of Parliament passed in the reign of George II. prohibited wagering contracts of insurance; and by statute of 8 and 9 Vict., c. 109, § 18, all agreements by way of gaming or wagering are made null and void.<sup>2</sup>

In the United States the general tendency is to regard all gaming and wagering as opposed to public policy, and therefore void. The subject is regulated by statutes in most of the states.<sup>3</sup>

The rule, both at law and in equity in regard to gambling transactions, now seems to be that the courts will not only refuse to lend their aid for the purpose of enforcing such contracts,<sup>4</sup> but they will not assist the losing party in setting the contracts aside or recovering back the money paid. The maxim

Ch. 367; *Williams v. Fitzhugh*, 37 N. Y. 444; *Sporrer v. Eifer*, 1 Heisk. 633; *Turner v. Merchant's Bank*, 126 Ala. 397. See, for an exceptional case, *M., K. & T. Trust Co. v. Kraussig*, 40 U. S. App. 620. In cases of oppression and fraud the lender may be compelled to prove his accounts. *Barrow v. Rhinelanders*, 1 Johns. Ch. 557.

<sup>1</sup> *Waller v. Dalt*, 1 Ch. Ca. 276; 1 Dick. 8; *Barry v. Beak*, 2 Ch. Ca. 136; *Marker v. Vansommer*, 1 Bro. C. C. 168.

<sup>2</sup> "Provided that this prohibition shall not apply to any subscription or agreement to subscribe towards a plate, prize or sum of money awarded to the winner of any lawful game, sport, pastime or exercise." Horse races, steeplechases and foot races are considered among the lawful games. See *Addison on Contracts*, 893.

<sup>3</sup> See *Wilkinson v. Tousley*, 16 Minn. 299.

<sup>4</sup> *Lynch v. Rosenthal*, 144 Ind. 86.

applicable to such cases is *potior est conditio possidentis*.<sup>1</sup> Equity may, however, enjoin a plaintiff from enforcing a judgment which has been obtained in a gaming contract.<sup>2</sup>

It has been decided in England that a bond given to secure a sum of money lost at play might be ordered to be delivered up.<sup>3</sup> But there is a decision the other way in the United States.<sup>4</sup>

But if the money has not got home to one of the parties to the wager, but rests with a stakeholder, its recovery from the hands of such third party may be enforced in equity. This was the statement of the law in *Godsall v. Boldero*,<sup>5</sup> and it has been applied in many cases.<sup>6</sup>

Time contracts in stocks, or other subjects of bargain and sale, which are merely, in substance, gaming contracts cannot be enforced.<sup>7</sup> It is otherwise if they are *bona fide* purchases and sales.<sup>8</sup>

**224. Contracts void by reason of their subject-matter; *ex turpi causâ non oritur actio*.**

Contracts may sometimes be presumed to be fraudulent (or rather incapable of being enforced) from their subject-matter; and of transactions of this description illustrations may be found in agreements to waive an equity of redemption, marriage brokerage contracts, contracts in restraint of marriage, or of trade, and contracts for procurement of office.

<sup>1</sup> *Bosanquett v. Dashwood*, Cas. temp. Talb. 41; *Adams v. Barrett*, 5 Ga. 404; *Thomas v. Cronise*, 16 Ohio, 54; *Cowles v. Raguet*, 14 Id. 55; *Spaulding v. Preston*, 21 Vt. 9; *Gotwalt v. Neal*, 25 Md. 434. See, also, *Pope v. Chaffee*, 14 Rich. Eq. 69; though see *Rawden v. Shadwell*, Ambler, 268; *Chapin v. Dake*, 57 Ill. 295, and *Dauler v. Hartley*, 178 Pa. 23. See 2 Kent's Com. 467.

<sup>2</sup> *Skipwith v. Strother*, 3 Rand. 214.

<sup>3</sup> *Rawden v. Shadwell*, Ambler, 268.

<sup>4</sup> *Cowles v. Raguet*, 14 Ohio, 55.

<sup>5</sup> 2 Sm. Lead. Cas. p. 1530 (9th Am. ed.).

<sup>6</sup> *Dauler v. Hartley*, 178 Pa. 23 (where the authorities are collected), and *Trenery v. Goudie*, 106 Iowa, 693.

<sup>7</sup> *Brua's Appeal*, 55 Pa. 294; *Freed-*

*ley v. Jacoby*, 220 Id. 609; *Kahn v. Walton*, 46 Ohio, 195; *Morris v. Norton*, 43 U. S. App. 739; *Phelps v. Holderness*, 56 Ark. 300; *Dows v. Glaspel*, 4 N. Dak. 251; *Waite v. Frank*, 14 S. Dak. 626; *Minzesheimer v. Doolittle*, 60 N. J. Eq. 394; *Universal Stock Ex. v. Strachan* [1896], A. C. 166.

<sup>8</sup> *Smith v. Bouvier*, 70 Pa. 325; *Kirkpatrick v. Bonsall*, 72 Id. 155; *Maxton v. Gheen*, 75 Id. 166; *Wagner v. Hildebrand*, 187 Id. 136; *Lynn v. Culbertson*, 83 Ill. 33; *Rudolph v. Winters*, 7 Neb. 126; *Forget v. Ostigny* [1895], A. C. 318. But the purchase of stock for speculation, even on margin, is not, necessarily, a gambling transaction. *Taylor's Assigned Estate*, 192 Pa. 307, 309, 313.

As to the first of these contracts, the nature of an equity of redemption has been already explained in the chapter devoted to mortgages, and the reasons for the policy of the law, prohibiting any stipulations in the mortgage by which the right should be waived, were at the same time attempted to be elucidated.

It will be sufficient to say, here, that this doctrine should properly receive this passing notice under the head of fraud, as it was introduced for the purpose of preventing impositions upon the weakness and necessities of debtors. Any clause in a mortgage, or any collateral agreement, by which the mortgagee's equity of redemption is in any way clogged, will be considered as a fraud upon his rights, and will be disregarded in a court of equity.<sup>1</sup>

As to the other cases mentioned above, they all fall under the operation of the general maxim, *ex turpi causâ non oritur actio*, which is recognized in equity, sometimes passively, by the refusal of the courts to entertain any bill brought to enforce such a contract, and sometimes actively, by entertaining a bill filed for the purpose of having an illegal security, or rather a security given upon an illegal consideration, delivered up and cancelled, or for the purpose of enjoining any action under and by virtue of the illegal contract.

For example, marriage brokerage contracts (which is the name usually given to agreements for negotiating marriages), while they were good at the civil law,<sup>2</sup> have been held illegal at common law,<sup>3</sup> and are regarded as utterly void in equity.<sup>4</sup>

Contracts in restraint of marriage,<sup>5</sup> and contracts for future separation<sup>6</sup> are equally, though for different reasons, illegal. A covenant not to marry any person except the covenantee is void at law;<sup>7</sup> and a bond, with a similar condition, has been ordered to be cancelled in chancery.<sup>8</sup>

<sup>1</sup> *Ante*, chapter on Mortgages, § 153.

<sup>2</sup> Matchmakers (*proxenetae*) were allowed to receive a reward for their services.

<sup>3</sup> *Hall v. Potter*, 3 Lev. 411; 1 Eq. Cas. Ab. 89; 3 P. Wms. 76; Shower's Parl. Cas. 76; *Boynnton v. Hubbard*, 7 Mass. 112.

<sup>4</sup> *Cole v. Gibson*, 1 Ves. Sr. 503;

*White v. Nuptial Benefit Union*, 76 Ala. 251; *Johnson v. Hunt*, 22 Am. Law Reg. 777-780; Story's Eq. Juris. § 263.

<sup>5</sup> See notes to *Scott v. Tyler*, 2 Lead. Cas. Eq. 105.

<sup>6</sup> As to trusts for future separation, see *ante*, § 115.

<sup>7</sup> *Lowe v. Peers*, 4 Burr, 2225.

<sup>8</sup> *Baker v. White*, 2 Vern. 215.

### 225. Gifts in restraint of marriage; rule of the Roman Law.

Gifts in restraint of marriage, that is, gifts bestowed upon condition that they are to be forfeited in the event of marriage in general, or of some particular marriage, are of frequent occurrence, and may properly be noticed in this connection. The authorities upon this subject are not all to be reconciled, and it is difficult to state the law with entire precision. This confusion has arisen from the attempts to import the doctrine of the civil law upon this subject into the law of England.<sup>1</sup>

The civil law rule was that conditions in restraint of marriage were void.

The origin of the rule, as stated by the chancellor (Lord Loughborough) in *Stackpole v. Beaumont*,<sup>2</sup> was that in the Roman Empire the depopulation occasioned by the civil war led to habits of celibacy; and to correct this evil, in the time of Augustus, the Julian law (which went too far and was corrected by the *Lex Papia Poppæ*), not only offered encouragement to marriage, but laid heavy impositions upon celibacy. To impose even partial restraints therefore upon marriage was to act directly contrary to this law, and hence such restraints were necessarily invalid.

No such reasons existed at common law, and hence, so far as real estate was concerned, the rule of the civil law was not followed, except that conditions in entire restraint of marriage were considered opposed to the policy of the law, and therefore void.<sup>3</sup> But the succession to personalty having fallen into the hands of the ecclesiastical courts, and these having a great leaning towards the Roman law, the rule as to *that* species of property was the same as in the civil law.<sup>4</sup> The tendency, however, of modern decisions is to bring the law in regard to personalty, in this particular, in accord with the doctrines applicable to real estate.

### 226. Conditions in general restraint of marriage.

In considering this subject it will be convenient to notice, in

<sup>1</sup> See notes to *Scott v. Tyler*, 2 Lead. Cas. Eq. 208 (4th Eng. ed.), and *Hampton v. Nourse* [1890], 1 Ch. 63.

<sup>2</sup> 3 Ves. 96.

<sup>3</sup> See *Morley v. Rennoldson*, 2

Hare [1895], 570; 1 Ch. 449; notes to *Scott v. Tyler*, 2 Lead. Cas. Eq. 215 (4th Eng. ed.).

<sup>4</sup> See *Stackpole v. Beaumont*, 3 Ves. 96.



the first place, conditions in *general* or *entire* restraint of marriage; and, secondly, those in *partial* restraint.

A condition annexed to a gift *entirely* restraining the donee from marriage is void as against public policy;<sup>1</sup> and the donee will take the gift free and discharged from the condition. So far as conditions subsequent are concerned, there is no difference as to this rule between realty and personalty.<sup>2</sup> But in conditions precedent, although the condition be illegal or impossible, an estate in realty, according to the common law, could never vest unless the condition were complied with. Hence, if an estate in land is given when, or as soon as, the donee shall marry a particular person, the estate cannot vest until the marriage takes place. If the subject of the gift, however, is personalty, the condition although precedent being void, the donee will take it absolutely.<sup>3</sup>

The circumstance that there is a gift over upon non-compliance with the condition, will make no difference in the application of the above rules in regard to *total* restraints.<sup>4</sup>

### 227. Conditions in partial restraint.

Where the condition is only in partial restraint—as where it is against marrying a particular person, or before arriving at a particular age (provided the period to which the marriage is postponed be reasonable)—it is valid, and will be enforced if there is a gift over. And this is the rule as respects realty, although there is no gift over. But in regard to personalty the rule is different, and a condition in partial restraint of marriage, if there is no gift over, will be held to be (as it is said) *in terrorem* only, and will not defeat the estate.<sup>5</sup> It was, however,

<sup>1</sup> *Smythe v. Smythe*, 90 Va. 638.

<sup>2</sup> *Morley v. Rennoldson*, 2 Hare, 570; notes to *Scott v. Tyler*, *supra*.

<sup>3</sup> *Keily v. Monck*, 3 Ridg. P. C. 205; *Maddox v. Maddox*, 11 Gratt. 804.

<sup>4</sup> See *Morley v. Rennoldson*, 2 Hare, 570. But see *Overton v. Lea*, 108 Tenn. 505.

<sup>5</sup> *Harvey v. Aston*, 1 Atk. 378; *McIlvaine v. Gethen*, 3 Whart. 575; *Hoopes v. Dundas*, 10 Pa. 75; *Hotz's Estate*, 38 Id. 422; *Cornell v. Lovett*, 35 Id. 100; *Maddox v. Maddox*, 11 Gratt. 804; *Waters v. Tasewell*, 9

Md. 291; *Hill on Trustees*, 496 (775, 4th Am. ed.). Where a *cestui que trust* is given the income of a fund "during the term of her natural life or so long as she remains unmarried" with a gift over "in case of her death or marriage" the gift is upon a limitation in favor of the *cestui que trust* during the period she remains unmarried and is valid. Such a provision is not to be construed as an unlawful condition in restraint of marriage. *Holbrook's Estate*, 213 Pa. 93.

held by Sir Wm. Page Wood, then vice-chancellor, in *Newton v. Marsden*, that a condition in restraint of marriage attached to a legacy to the widow of the testator's nephew was valid.<sup>1</sup>

If the condition in partial restraint is precedent, it will be enforced, even if there is no limitation over.<sup>2</sup>

Restraints upon marriage may sometimes be enforced by way of limitation, when they would be ineffectual if put in the shape of conditions. A testator may make the period of enjoyment of his bounty as short as he pleases, and may fix the occurrence or non-occurrence of any event, no matter how absurd or arbitrary the limitation may be, as the boundary at which the estate is to cease. In such a case the particular estate will come to an end by virtue of its own limitation, and the estate in remainder will, of course, vest in possession.

If, then, an estate be given to A. until she marries, and from and after her marriage to B., the marriage of A. would not operate to defeat an estate already vested, but would simply mark the period at which a vested estate of uncertain duration is to determine.<sup>3</sup> In such a case the law of *conditions* has no place. Hence, it is settled that a gift *durante viduitate*, with a limitation over, is valid; and that upon marriage of the widow the party in remainder will take.<sup>4</sup>

The real principle of cases of this kind is, that the condition is not regarded as an arbitrary prohibition of marriage altogether, but the conditional gift is considered as made to the widow, because she is a widow, and because the circumstances would be entirely changed if she entered into a new relation.<sup>5</sup>

It may be added that it has been decided in England that a valid restraint may be imposed upon the second marriage of a man as well as upon that of a woman. The case arose for the first time in 1875 in *Allen v. Jackson*,<sup>6</sup> and it was there held

<sup>1</sup> 2 Johns. & H. 356. See, also, *Commonwealth v. Stauffer*, 10 Pa. 350; *McCullough's Appeal*, 12 Id. 297; *Phillips v. Medbury*, 7 Conn. 568; *Herd v. Catron*, 97 Tenn. 662.

<sup>2</sup> *Stackpole v. Beaumont*, 3 Ves. 89; *Hill on Trustees*, 496.

<sup>3</sup> See *Fearne on Cont. Rem.* 10; *In re King's Trusts*, 29 L. R. Ir. 401; *Greene v. Kirkwood* [1895], 1 Ir. R. Ch. 130, 142.

<sup>4</sup> See *Vance v. Campbell's Heirs*, 1 Dana, 229; *Pringle v. Dunkley*, 14 Sm. & M. 16; *Hughes v. Boyd*, 2 Sneed, 512; *Chapin v. Cooke*, 73 Conn. 72; notes to *Scott v. Tyler*, 2 Lead. Cas. Eq. 412 (3d Am. ed.), where this rule is somewhat criticised by the learned American editor.

<sup>5</sup> Per Wood, V. C., in *Newton v. Marsden*, 2 Johns. & H. 367.

<sup>6</sup> L. R. 1 Ch. Div.

that where a testatrix gave property to her niece and her niece's husband, with a proviso that if the husband survived the niece and married again the property should go over, the proviso was valid and, on the husband's second marriage, the gift over took effect.<sup>1</sup>

### 228. Contracts in restraint of trade.

Still another class of contracts, which are illegal because of their *nature*, is that of contracts in unreasonable restraint of trade.

The doctrine is a very old one, a case being found in the year books,<sup>2</sup> in which Mr. Justice Hall lost his temper at the very sight of the bond, and exclaimed with an oath, that if the plaintiff had been in court he should have gone to prison until he had paid a fine.

The leading authority upon the subject is *Mitchell v. Reynolds*,<sup>3</sup> from which, and from subsequent authorities in England and in this country, the doctrine has been said to be that a restraint upon trade, in order to be good at law, must be, in the first place, *partial*; <sup>4</sup> in the second place, *reasonable*—that is, such a restraint only as may be necessary to protect the business of the party for whose benefit the contract is made;<sup>5</sup> and, thirdly, founded on a *valuable* consideration, although as to this last point it is now settled that the courts will not enter into the question of *adequacy* of consideration, unless, perhaps, the inadequacy is such as to stamp the agreement as an unreasonable one.<sup>6</sup>

Within the last few years, however, a change has taken place in the views expressed by judges as to the test of illegality in contracts in restraint of trade; and the true criterion is now said

<sup>1</sup> *Appleby v. Appleby*, 100 Minn. 408.

<sup>2</sup> 2 Hen. V., Term. Pasch. pl. 26. See *Davies v. Davies*, 36 Ch. D. 397.

<sup>3</sup> 1 P. Wms. 181.

<sup>4</sup> *Gamewell Fire Alarm Tel. Co. v. Crane*, 160 Mass. 50; *Turner v. Abbott*, 116 Tenn. 718; *Harris v. Theus*, 149 Ala. 133.

<sup>5</sup> See *Perls v. Saalfeld* [1892], 2 Ch. 149; annotated in 32 Am. L. Reg. p. 50; *United States v. Trans-Miss.*

*Freight Assn.*, 19 U. S. App. 36-60; *Hulse v. Bonsack Machine Co.*, 25 Id. 239; *Oakdale Manuf. Co. v. Garst*, 18 R. I. 484; *Gets v. Federal Salt Co.*, 147 Cal. 115; *Southern Fire Brick Co. v. Sand Co.* 223 Ill. 616; *Bradford v. Furniture Co.*, 115 Tenn. 610.

<sup>6</sup> See notes to *Mitchell v. Reynolds*, 1 Sm. Lead. Cas. 705, and note to *Zimmerman v. Davis*, 23 Am. L. Reg. 52. See, also, *Ryan v. Hamilton*, 205 Ill. 191.

to be, not whether the restraint is general or partial, but whether it is reasonable or unreasonable. The subject was examined in *Nordenfelt v. The Maxim-Nordenfelt Guns and Am. Co., Ltd.*,<sup>1</sup> and the conclusion reached that whether a contract was invalid because in restraint of trade must depend upon whether, on considering all the circumstances, the contract is found to be reasonable or unreasonable.<sup>2</sup>

A contract in restraint of trade which is unreasonable in the eye of the law, cannot (upon the general principles already referred to) be enforced in equity, and an instrument given to secure such an agreement may be decreed to be delivered up and cancelled.

Equity, moreover, is loth to enforce a contract in restraint of trade, even although it be good at law, if the terms are hard or even complex.<sup>3</sup>

Thus, in a Pennsylvania case, the defendant, in consideration of the complainant's instructing him in the art of making platform scales, and of employing him at a certain sum *per diem*, agreed not to make said scales for any person other than the plaintiff (except with the latter's written consent) upon a penalty for each scale manufactured in violation of the agreement. The defendant broke the contract, and the plaintiff then filed a bill for an account and payment. The prayer was refused and the bill dismissed, not only on the ground that the condition was one in general restraint of trade, and therefore void at law, but also because "a chancellor would regard the hardship of the bargain and the prejudice to the public, and would withhold his hand from enforcing it, for such decrees are always of grace and not of right."<sup>4</sup>

<sup>1</sup> [1894] A. C. 535.

<sup>2</sup> See the account of the doctrine in question and of the modern view thereof by Mr. Justice White in his dissenting opinion in *United States v. Freight Association*, 166 U. S. 290-346 *et seq.* See, also, *Matthews v. Associated Press*, 136 N. Y. 333; *Trenton Potteries Co. v. Oliphant*, 58 N. J. Eq. 507, and *U. S. v. Addyston Pipe & Steel Co.*, 54 U. S. App. 753; *Swigert v. Tilden*, 121 Ia. 650. Such only as to afford fair protection to the interests of the party in whose

favor it is given and not so large as to interfere with the interests of the public. *Merriman v. Cover*, 104 Va. 428; *Kradwell v. Thiesen*, 131 Wis. 97; *Prame v. Ferrell*, 166 Fed. Rep. 702.

<sup>3</sup> *Kimberley v. Jennings*, 6 Sim. 340; *Kemble v. Kean*, Id. 335; *Whittaker v. Howe*, 3 Beav. 388; *Kerr on Injunctions*, 506, 514; *post*, Part III., Chap. II. See, also, *Mineral Water Society v. Booth*, 36 Ch. D. 465.

<sup>4</sup> *Keeler v. Taylor*, 53 Pa. 467. See further as to contracts of this kind

Contracts in restraint of trade, however, if they are reasonable, and not, because of any special stipulations therein, or of any circumstances of hardship under which they were executed, unjust or inequitable, will be enforced in equity.<sup>1</sup>

Combinations entered into for the purpose of preventing the parties thereto, or others, from engaging in trade, are illegal.<sup>2</sup>

Thus, in the *Morris Run Coal Co. v. Barclay Coal Co.*,<sup>3</sup> a contract was entered into between five coal companies, by which it was agreed that the coal market in certain regions was to be divided among the contracting parties in certain proportions, with a proviso that the several companies should sell coal only to the extent of their proportion, and only at prices adjusted by a committee. The result of this combination was to control the value of coal in an extensive market, and to cause it to bring prices which it would not have commanded had it been left to

*Gompers v. Rochester*, 56 Id. 194; *McClurg's Appeal*, 58 Id. 51; *Hall's Appeal*, 60 Id. 458; *Harkinson's Appeal*, 78 Id. 196; *Andrews v. Kingsbury*, 212 Ill. 97; *Lansit v. Sefton Mfg. Co.*, 184 Id. 326; *Shute v. Heath*, 131 N. C. 281 (where the contract was held void because of indefiniteness as to territory). *Roberts v. Lemont*, 73 Neb. 365.

<sup>1</sup> *Morris v. Colman*, 18 Ves. 437; *Nordenfelt v. Maxim-Nordenfelt Guns & Am. Co., Ltd.* [1894], A. C. 535; *Mogul S. S. Co. v. McGregor* [1892], A. C. 25; *Dubowski v. Goldstein* [1896], 1 Q. B. 478; *Underwood v. Barker* [1899], 1 Ch. 300; *Morse v. Morse*, 103 Mass. 73; *Taylor v. Blanchard*, 13 Allen, 370; *Leather Cloth Co. v. Lorisont*, L. R. 9 Eq. 345. See *Cruttwell v. Lye*, 17 Ves. 335; *Allsopp v. Wheatcroft*, L. R. 15 Eq. 59; *Pickett v. Green*, 120 Ind. 584; *Consumers' Oil Co. v. Nunnemaker*, 142 Ind. 560; *Carter-Crume Co. v. Peurrung*, 30 C. C. A. 174; *Central Trust Co. v. Continental Trust Co.*, Id. 235, and *Harrison v. Glucose Sugar Refining Co.*, 53 Id. 489; *Monongahela Coal Co. v. Jutte*, 210 Pa. 288; *United Shoe Co. v. Kimball*,

193 Mass. 351. Except within a very narrow limit contracts in restraint of trade are invalid under the statutes of Oklahoma. *Hulen v. Earel*, 13 Okla. 246.

<sup>2</sup> *Story's Eq. § 292*; *Stanton v. Allen*, 5 Denio, 434; *Hilton v. Eckersley*, 32 Eng. L. & Eq. 198; 34 Id. 224; *Deuber Watch Case Man. Co. v. Howard Co.*, 35 U. S. App. 16, 28, 40; *Nester v. Continental Br. Co.*, 161 Pa. 473; *Clark v. Needham*, 125 Mich. 84; *Tuscaloosa Ice Manuf. Co. v. Williams*, 127 Ala. 110; *Fullington v. Kyle Lumber Co.*, 139 Ala. 242; *Webb Press Co. v. Bierce*, 116 La. 906.

<sup>3</sup> 68 Pa. 173. See, also, *Oregon Steam Nav. Co. v. Winsor*, 20 Wall. 64; *Maguire v. Smock*, 42 Ind. 1; *Bowen v. Matheson*, 14 Allen, 99; *Carew v. Rutherford*, 106 Mass. 1; *Gale v. Kalamazoo*, 23 Mich. 344; *Sampson v. Shaw*, 101 Mass. 145 (an agreement to corner stocks); *Crawford v. Wick*, 18 Ohio St. 190; *State v. Armour Packing Co.*, 173 Mo. 356. See comment on case in *Monongahela Coal Co. v. Jutte*, 210 Pa. 299; *Pocahontas Coke Co. v. Coal Co.*, 60 W. Va. 508.

the natural laws of trade. It was therefore held that a combination so wide in its scope, general in its influence, and injurious in effects, was a contract against public policy, illegal, and, therefore, void.<sup>1</sup>

In the *Chicago Gas Light Co. v. People's Gas Light Co.*<sup>2</sup> a similar decision was made. There the plaintiff, a gas manufacturing corporation, had been granted, from February 12, 1849, the exclusive privilege of supplying the city of Chicago with gas for ten years, by its charter. The defendant, another gas manufacturing corporation, had been granted this privilege at the expiration of the ten years. By contract of April 21, 1862, the two companies divided the city, and agreed not to compete in each other's territory. The agreement was held void as in restraint of trade.<sup>3</sup> Indeed, the question as to the validity of such contracts in restraint of trade has, within the past few years, grown to great importance. The commercial combinations known as "trusts" are of very modern growth, and their legality has been but lately passed upon.<sup>4</sup> The case of *The People v. The North River Sugar Refining Co.*,<sup>5</sup> more shortly known as the "Sugar Trust" case, may be taken as an example, although the ultimate decision in that case was based upon the

<sup>1</sup> See, also, *Ch., Mil. & St. P. Ry. Co. v. Wab., St. L. & Pac. Ry. Co.*, 27 U. S. App. 1; *More v. Bennett*, 140 Ill. 69 (a combination among stenographers); *Judd v. Harrington*, 139 N. Y. 105; *Arnot v. Pittston & Elmira Coal Co.*, 68 N. Y. 558; *Bailey v. Master Plumbers*, 103 Tenn. 99; *Cummings v. Union Blue Stone Co.*, 164 N. Y. 401; *Cohen v. Berlin and Jones Envelope Co.*, 166 N. Y. 292; *Employing Printers' Club v. Doctor Blossner Co.*, 122 Ga. 509; and, upon the general subject, *Hoffman v. Brooks*, 23 Am. Law Reg. 648, and note; article in 24 Id. 217 and 281; *De Witt Wire Cloth Co. v. N. J., etc., Co.*, 14 N. Y. Sup. 277; *Park v. Nat. Druggists' Assn.*, 175 N. Y. 1; *Chicago Coal Co. v. People*, 214 Ill. 421; *Hunt v. Riverside Club*, 140 Mich. 538; *Finck v. Granite Co.*, 187 Mo. 244.

<sup>2</sup> 121 Ill. 530.

<sup>3</sup> See, also, *Charleston Gas Co. v. Kanawha Gas Co.*, 58 W. Va. 22; *State ex rel. v. Portland Nat. Gas Co.*, 153 Ind. 483; essay by Prof. Geo. Stuart Patterson on "Contracts in Restraint of Trade," Philadelphia, 1891; *Keene v. Gas Co.*, 69 Kan. 284.

<sup>4</sup> It need scarcely be said that the word "trusts," when used to designate a commercial venture of this kind, bears a different meaning from that in which it is technically used in equity. By "trust" as here used is meant a combination whereby interests in corporations or firms, which unite in a common enterprise, are deposited with trustees, the owners receiving in return interests in the general organization.

<sup>5</sup> 54 Hun, 354; 121 N. Y. 585.

abuse of *corporate powers*—not upon the illegality of the contract. There, proceedings were instituted to forfeit the charter of the corporation defendant, on the ground of abuse of its powers by the practical surrender of its corporate independence, and because of the illegality of the arrangement into which it had entered with other sugar companies. This arrangement was in substance a partnership based upon a trust deed, under the provisions of which the stock of the corporations which entered into the combination was turned over to a board of directors, in return for which certificates of holdings in the central organization were issued to the shareholders in the different corporate members thereof. The output of any one corporation, member of the combination, was regulated by the trustees; and the earnings of all were to be turned over to the trustees, by whom dividends on the trust shares were to be declared. This arrangement was held illegal in the lower court in an opinion of great legal force by Judge Barrett; and this ruling was affirmed, on the same ground, by the Appellate Division of that court. In the Court of Appeals, however, while the decision was affirmed, the affirmance was put upon the ground of abuse of corporate powers. The ground taken by Judge Barrett, however, would appear to be sound; and his ruling not only follows that of the Supreme Court of Pennsylvania in the *Morris Run Coal Co. Case*, cited above, but is in accord with the judgment in the *Chicago Gas Trust Case*, where the decision was put expressly on the ground of the illegality of the contract.<sup>1</sup> Other decisions are to the same effect.<sup>2</sup> The basis of these decisions would seem to be the danger to public interests; and where the public is not thus threatened, contracts limiting production have been sustained.<sup>3</sup> Where, however, the contract cannot stand

<sup>1</sup> *People ex rel. Peabody v. Chicago Gas Trust Co.*, 130 Ill. 268. See article on "The Legality of Trust Combinations," by Louis Bossot, Jr., *Am. Law Reg. Nov. & Dec. 1891*, p. 751; and essay of Prof. Geo. Stuart Patterson, *supra*.

<sup>2</sup> *Arnot v. Pittston & Elmira Coal Co.*, 68 N. Y. 558; *Craft v. McCoughy*, 79 Ill. 346; *Distillery & Cattle Feeding Co. v. The People*, 156 Ill. 448, 486; *State v. Standard Oil Co.*, 49 Ohio St. 137; *Texas Stand. Oil Co. v.*

*Adous*, 83 Tex. 650; *Central Salt Co. v. Guthrie*, 35 Ohio, 666; *Collins v. Locke*, 4 App. Cas. 674; *Mill & Lumber Co. v. Hayes*, 76 Cal. 387; *Dunbar v. American Telephone Co.*, 224 Ill. 9; *Southern Electric Co. v. State*, 91 Miss. 195.

<sup>3</sup> *Collins v. Locke*, 4 App. Cas. 674; *Skrainka v. Scharringhausen*, 8 Mo. App. 522; *Diamond Match Co. v. Roeber*, 106 N. Y. 473; *Leslie v. Lorillard*, 110 Id. 519; *Ontario Salt Co. v. Merchants' Salt Co.*, 18 Grant's

such a test, it must fail. A contract (for example) whereby a corporation chartered to perform the duties of a common carrier, or any other duties to the public, agrees that it will not perform those duties at all, anywhere, for ninety-nine years, is clearly unreasonable and void.<sup>1</sup> Such was the decision of the Supreme Court of the United States; and the judgment would seem to be based on good morals as well as sound law.

Upon the same general principle, bonds restraining the right of alienation have been ordered to be delivered up, as opposed to public policy.<sup>2</sup>

The policy of the law upon the subject of combinations of the character spoken of in this section, was expressed in the form of a statute by the passage, in 1890, of an Act of Congress to "protect trade and commerce against unlawful restraints and monopolies."<sup>3</sup> Under this statute it has been held that the prohibitions contained in the act apply to all contracts in restraint of interstate or foreign trade or commerce, without exception or limitation, and are not confined to those in which the restraint is unreasonable.<sup>4</sup> The scope and extent of this stat-

Ch. Rep. 540; *Kellogg v. Larkin*, 3 Chand. 133; *Fowle v. Park*, 131 U. S. 88, 97. See, however, *Richardson v. Buhl*, 77 Mich. 632. The question is whether the restraint affords more than a fair and reasonable protection to the party in whose favor it is imposed. *Bancroft v. Company*, 72 N. H. 402.

<sup>1</sup> See the language of Mr. Justice Gray, in *Central Transp. Co. v. Pullman's Car Co.*, 139 U. S. 54. See, also, the cases cited by him, viz., *Oregon Steam. Nav. Co. v. Winsor*, 20 Wall. 64; *Gibbs v. Baltimore Gas Co.*, 130 U. S. 398, 408-410, and the language of Mr. Justice Peckham, in *Pullman Car Co. v. Central Transp. Co.*, 171 U. S. 145-161.

<sup>2</sup> *Jervis v. Bruton*, 2 Vern. 251; *Freeman v. Freeman*, Id. 233; *Poole's Case* (cited), Moor, 810.

<sup>3</sup> 26 Stat. 209, c. 647.

<sup>4</sup> *United States v. Trans-Missouri Freight Association*, 166 U. S. 290, approved in *United States v. Joint*

*Traffic Assn.*, 171 U. S. 505. In *Addyston Pipe & Steel Co. v. United States*, 175 U. S. 238, it was found as a fact that the combination was unreasonable and it was therefore unnecessary to consider the proposition stated in the foregoing cases. See, also, *Gibbs v. McNeeley*, 55 C. C. A. 70, and *Northern Securities Co. v. United States*, 193 U. S. 360 (Mr. Justice Brewer). See, in this connection, *Hopkins v. United States*, 171 Id. 578, and *Anderson v. United States*, Id. 604. In *Montague v. Lowry*, 193 U. S. 38, these last mentioned cases were distinguished and the case of *Addyston Pipe & Steel Co. v. United States* (*supra*) was followed. See *Continental Wall Paper Co. v. Voight*, 212 U. S. 227; *Swift & Co. v. United States*, 196 U. S. 375; *United States v. American Tobacco Co.*, 164 Fed. Rep. 700; *Loewe v. Lawler*, 208 U. S. 274.

An agreement by which in consideration of a very large sum of



ute was recently considered in *Northern Securities Co. v. United States*; <sup>1</sup> and the conclusions reached in the cases just cited were approved in the opinion of the court as delivered by Mr. Justice Harlan.<sup>2</sup> In that opinion it was said that the Act of Congress is not limited to restraints of interstate and international trade or commerce that are unreasonable in their nature, but embraces *all* direct restraints imposed by any combination, conspiracy or monopoly upon such trade or commerce; that *every* combination or conspiracy which would extinguish competition between otherwise competing railroads engaged in interstate trade or commerce and which would *in that way* restrain such trade or commerce, is made illegal by the act; and that the natural effect of competition is to increase commerce, and an agreement the direct effect of which is to prevent this play of competition restrains instead of promotes trade and commerce.

### 229. Sales of public offices.

The last of the contracts which will be noticed as being void on the ground of illegality in their subject-matter, are contracts for the procurement of sale of public offices. Sir John Strange, M. R., in his opinion in *Chesterfield v. Janssen*,<sup>3</sup> says: "So, in bargains to procure offices, neither of the parties is defrauded or unapprised of the terms, but it seems to introduce unworthy objects into public offices; and, therefore, for the sake of the public the bargain is rescinded."<sup>4</sup>

money the owner of coal lands, coal mines, and coal boats sells the same and covenants not to engage directly or indirectly "in the business of mining, marketing or shipping of coal in the territory traversed by the Monongahela, Ohio and Mississippi rivers and their tributaries for a period of ten years from the date hereof" is a reasonable contract and is not contrary to the public policy of Pennsylvania, although it appears that the purchaser had similar contracts with a large number, although not all of the coal operators and shippers doing business in the Monongahela valley in Pennsylvania. The above contract, in so far as it affects business carried on in the

territory contiguous to the Ohio and Mississippi rivers outside of the limits of Pennsylvania, violates the Act of Congress of July 2, 1890, known as the anti-trust or Sherman Act. The contract is, however, divisible and the seller may be enjoined from engaging in the business of mining coal and marketing or shipping coal on the Monongahela river within the state of Pennsylvania for the period of ten years. *Monongahela Coal Co. v. Jutte*, 210 Pa. 288.

<sup>1</sup> 193 U. S. 197.

<sup>2</sup> *Id.* 328.

<sup>3</sup> 1 Atk. 301. See, also, *Boynton v. Hubbard*, 7 Mass. 119.

<sup>4</sup> See *Basket v. Moss*, 115 N. Car.

The conduct of equity in such a case is but in accordance with a general principle by which Courts of Chancery, and, indeed, every other tribunal, would discourage, in every way, contracts opposed to good morals and sound public policy. The examples of illegal contracts already given are but instances of this general principle; and it might not be too much to say that in every case where rules of public policy are violated, and where relief could be afforded by the machinery of a Court of Chancery, and where a full, adequate, and complete remedy could not be had at common law, equity will interpose for the purpose of restraining an action brought to enforce such a contract, or to compel the surrender of the instrument by which it has been secured.<sup>1</sup>

### SECTION III.

#### FRAUD PRESUMED FROM THE RELATIONS OF THE PARTIES.

- |                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                       |
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| <p>230. Mental disability; drunkenness; <i>duress</i>.</p> <p>231. Undue influence; gifts; <i>Huguenin v. Baseley</i>.</p> <p>232. Contracts; <i>Tate v. Williamson</i>.</p> <p>233. Parties between whom confidential relation ordinarily exists.</p> | <p>234. Guardian and ward.</p> <p>235. Parent and child.</p> <p>236. Solicitor and client.</p> <p>237. Trustee and <i>cestui que trust</i>.</p> <p>238. Fiduciary can make no profit; <i>Tyrrell v. Bank</i>.</p> <p>239. Promoters of companies.</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

#### 230. Mental disability; drunkenness; duress.

The third species of fraud, according to Lord Hardwicke's classification, is that which is presumed from the circumstances and condition of the parties contracting;<sup>2</sup> and this may, perhaps, be again subdivided into two classes, viz., first, where one of the parties is laboring under some mental disability; and, second, where the transaction takes place under undue influence.

448; *Harris v. Chamberlain*, 126 Mich. 280; *Gage v. Fisher*, 5 N. Dak. 297. In this last case the rule was applied to offices in a private corporation.

<sup>1</sup> *Spalding v. Ewing*, 149 Pa. 375; *Goodrich v. Tenney*, 144 Ill. 422;

*Lum v. McEwen*, 56 Minn. 278; *Houlton v. Dunn*, 60 Minn. 26.

<sup>2</sup> The presumption is raised without the aid of any evidence of actual imposition, from the very nature of the transaction. *Sprinkle v. Wellborn*, 140 N. C. 175.

As to the first of the two classes, mere weakness of mind is not of itself a sufficient ground for equitable interference. It would be impossible to carry on the business of the courts if they undertook to interfere in every case in which a superior and more astute intellect obtained an advantage in a bargain over a dull or feeble mind.<sup>1</sup> But an entire absence of intellectual power, or great mental aberration, will be sufficient to cause a contract to be rescinded.<sup>2</sup> Hence, the contracts of idiots and lunatics are void, or, at least, avoidable.<sup>3</sup> And while mere weakness of mind will not be enough, of itself, to justify a rescission, it will, nevertheless, always constitute an important element in actual fraud.<sup>4</sup> If, therefore, a transaction be in the slightest degree tainted with deceit, the intellectual imbecility of the injured party will be laid hold of by a chancellor to make out a case of actual fraud, which might otherwise be incapable of proof.<sup>5</sup> Whatever be the cause of the mental weakness—whether it arise from permanent injury to the mind, or temporary illness, or excessive old age—it will be enough to make the court scrutinize the contract with a jealous

<sup>1</sup> *Osmond v. Fitzroy*, 3 P. Wms. 129; *Ex parte Allen*, 15 Mass. 58; *Hadley v. Latimer*, 3 Yerg. 537; *Rogers v. Higgins*, 57 Ill. 247; *Killian v. Badgett*, 27 Ark. 166; *Mann v. Bettarly*, 21 Vt. 326; *Thomas v. Sheppard*, 2 McCord Eq. 36; *Rippy v. Gant*, 4 Ired. Eq. 443; *Nace v. Boyer*, 30 Pa. 90; *Aiman v. Stout*, 40 Id. 144; *Hyer v. Little*, 20 N. J. Eq. 443; *Lozear v. Shields*, 23 Id. 509; *Stiner v. Stiner*, 58 Barb. 643.

<sup>2</sup> *Allis v. Billings*, 6 Met. 415; *Breckenridge v. Ormsby*, 1 J. J. Marsh. 239; *Desilver's Est.*, 5 Rawle, 111; *Bensell v. Chancellor*, 5 Whart. 376; *Beals v. See*, 10 Pa. 56; *Fishburne v. Ferguson*, 84 Va. 87; *McCartney v. McCartney*, 93 Tex. 359.

<sup>3</sup> See *Hill on Trustees*, 46 (73, 4th Am. ed.); *Howe v. Howe*, 99 Mass. 88; *Helbreg v. Schumann*, 150 Ill. 12; *Wager v. Wagoner*, 53 Neb. 511. See, also, *Blount v. Spratt*, 113 Mo. 48, for a case in which equity declined to interfere because the parties could

not be restored to their original positions; and also, *Jamison v. Culligan*, 151 Id. 410; *McKenzie v. Donnell*, Id. 430, 461.

<sup>4</sup> *Nottidge v. Prince*, 2 Giff. 246; *Baker v. Monk*, 33 Beav. 419; 4 De G. J. & S. 388; *Boyse v. Rossborough*, 6 H. L. Cas. 2; *Harding v. Handy*, 11 Wheat. 103; *Tracey v. Sacket*, 1 Ohio St. 54; *Whitehorn v. Hines*, 1 Munf. 557; *Whelan v. Whelan*, 3 Cow. 537; *Deatly v. Murphy*, 3 A. K. Marsh. 472; *Brogden v. Walker*, 2 H. & J. 285; *Rumph v. Abercrombie*, 12 Ala. 64; *McWilliams v. Doran*, 103 Mich. 588.

<sup>5</sup> *Hutchinson v. Tindall*, 3 N. J. Eq. 367; *Rumph v. Abercrombie*, 12 Ala. 64; *Hunt v. Moore*, 2 Pa. 105; *Brady's Appeal*, 66 Id. 277; *Huguenin v. Baseley*, 14 Ves. 273; *Harding v. Handy*, 11 Wheat. 103; *Hill v. McLaurin*, 28 Miss. 288; *Storrs v. Scougale*, 48 Mich. 387; *Hill on Trustees*, 154; *Davis v. Cummings*, 60 Vt. 502.

eye; and any unfairness or overreaching will be promptly redressed.<sup>1</sup> As has been said by the Supreme Court of the United States, "wherever there is great weakness of mind in a person executing a conveyance of land, arising from age, sickness, or any other cause, though not amounting to an absolute disqualification, and the consideration given for the property is grossly inadequate, a court of equity will, upon proper and seasonable application of the injured party or his representatives or heirs, interfere and set the conveyance aside."<sup>2</sup> "The result of the decisions," says an English chancery judge, in a modern case, "is, that where a purchase is made from a poor and ignorant man at a considerable undervalue, the vendor having no independent advice, a court of equity will set the transaction aside."<sup>3</sup>

This principle has also been applied to cases which have been somewhat numerous of late years, namely, those which arise out of accidents upon the tracks of railroad and trolley companies. Where such accidents occur, and where settlements are made with and releases of damages obtained from the injured party, shortly after the accident and while suffering mental and bodily pain, it has sometimes been said that such transactions will not stand in equity, and indeed may, in many instances, furnish no defence to an action at law on the original tort.<sup>4</sup>

It must be remembered, however, that a written instrument cannot be avoided for fraud or mistake unless the evidence of fraud is clear, unequivocal, and convincing; and it must also

<sup>1</sup> *Highberger v. Stiffler*, 21 Md. 338; *Whelan v. Whelan*, 3 Cow. 587; *Martin v. Martin*, 1 Heisk. 653; *Brice v. Brice*, 5 Barb. 549; *Hill on Trustees*, 155; *Perry on Trusts*, §§ 190, 191; *Matthews v. Baxter*, 28 L. T. (N. S.) 169; *Maggini v. Pessoni*, 76 Cal. 631; *McDaniel v. McCoy*, 68 Mich. 332; *Jones v. Thompson*, 5 Del. Ch. 374; *Kennedy v. Currie*, 3 Wash. 442.

<sup>2</sup> *Allore v. Jewell*, 94 U. S. 511; approved in *Griffith v. Godey*, 113 Id. 95. See, also, *Kempson v. Ashbee*, L. R. 10 Ch. 15; *Marshall v. Billingsly*, 7 Ind. 250; *Duncombe v.*

*Richards*, 46 Mich. 166; *Moore v. Moore*, 56 Cal. 89; *Rau v. Von Zedlitz*, 132 Mass. 164; *Parkhurst v. Hosford*, 21 Fed. Rep. 827; *Churchill v. Scott*, 65 Mich. 485; *Dickson v. Kempinsky*, 96 Mo. 252; *Borden v. White*, 44 N. J. Eq. 291; *Hill v. Miller*, 50 Kan. 659; *Wille v. Wille*, 57 S. C. 413; *Yount v. Yount*, 144 Ind. 133; *Rees v. De Bernardy* [1896], 2 Ch. 437; *Stepp v. Frampton*, 179 Pa. 284; *Light v. Light*, 221 Pa. 136.

<sup>3</sup> *Fry v. Lane*, 20 Ch. D. 322.

<sup>4</sup> *Jones v. Ala. & Vick. R. R. Co.*, 72 Miss. 22; *Railway Co. v. Cunningham*, 59 Kan. 722.

be recollected that a written release cannot be avoided by proof that one of the parties to it, who is sound in mind and able in body, could not read or write, and did not know the terms of the agreement, but neglected to ask anyone to read it to him when he signed it.<sup>1</sup>

While contracts tainted with fraud will be set aside, yet a mere latent suspicion of unfairness will not be enough.<sup>2</sup>

Moreover, it need scarcely be remarked that the mere circumstance of old age or physical feebleness, will not render a transaction fraudulent, if, in point of fact, the party is intelligent and capable.<sup>3</sup>

Drunkenness falls under the same principles.<sup>4</sup> If a man is so far drunk that he is substantially *non compos mentis*, his contract will be invalid; but if there is intoxication, not so great in extent, equity will not interfere.<sup>5</sup> It will, however, in cases of partial drunkenness, lay hold of any circumstances tending to show actual imposition,<sup>6</sup> and thus make out a case of actual fraud, especially if the drunkenness has been brought about by the contrivance of the other party to the transaction.<sup>7</sup>

Equity will also relieve against contracts obtained under duress, fear, apprehension, or extreme distress;<sup>8</sup> even although a case of duress at common law might not have been made out.<sup>9</sup> Thus, in *Williams v. Bayley* it was held that a father, whose name had been forged by his son, and who had been

<sup>1</sup> See the language of Sanborn, Circuit Judge, in *Chicago, etc., Ry. Co. v. Belliwith*, 55 U. S. App. 113, 119, 120. See, also, in this connection, *Cooney v. Lincoln*, 21 R. I. 246; *Union Pacific Ry. Co. v. Harris*, 158 U. S. 326; 27 U. S. App. 450.

<sup>2</sup> *Hetrick's Appeal*, 58 Pa. 497.

<sup>3</sup> *Gratz v. Cohen*, 11 How. 19. See, also, *Lewis v. Pead*, 1 Ves. Jr. 19; *Pratt v. Barker*, 1 Sim. 1; 4 Russ. 507; *Graham v. Pancoast*, 30 Pa. 89; *Dean v. Fuller*, 40 Id. 474; *Howe v. Howe*, 99 Mass. 88; *Greer v. Greer*, 9 Gratt. 332; *Wray v. Wray*, 32 Ind. 126; *Darnell v. Rowland*, 30 Id. 342.

<sup>4</sup> See *Co. Litt.* 447, a.

<sup>5</sup> *Gore v. Gibson*, 13 M. & W. 623; *Clifton v. Davis*, 1 Pars. Eq. 31; *Johnson v. Medicott*, 3 P. Wms. 130,

n.; *Cory v. Cory*, 1 Ves. Sr. 19; *Maxwell v. Pittenger*, 3 N. J. Eq. 156; *Selah v. Selah*, 23 Id. 185; *Morrison v. McLeod*, 2 Dev. & Bat. Eq. 221; *Harbison v. Lemon*, 3 Blackf. 51; *Cook v. Bagnell Co.*, 78 Ark. 47.

<sup>6</sup> Gross inequality in consideration. *Swan v. Talbot*, 152 Cal. 142.

<sup>7</sup> *Crane v. Conklin*, Saxt. 346; *Cory v. Cory*, 1 Ves. Sr. 19; *Calloway v. Witherspoon*, 5 Ired. Eq. 128; *Phillips v. Moore*, 11 Mo. 600; *Freeman v. Dwiggin*, 2 Jon. Eq. 162; *Muller v. Buyck*, 12 Mont. 354; *Shaw v. Thackray*, 1 Sm. & Giff. 537.

<sup>8</sup> *Neilson v. McDonald*, 6 Johns. Ch. 210; *Hill on Trustees*, 156; *Goodrich v. Shaw*, 72 Mich. 109; *Oak v. Dustin*, 79 Me. 23.

<sup>9</sup> *Galush v. Sherman*. 105 Wis. 263.

requested to take the amount of the liability upon himself, knowing that unless he did so his son would be exposed to a criminal prosecution with the certainty of conviction, could not be regarded as a free and voluntary agent, so as to render a security given under such a pressure valid.<sup>1</sup> And so, on the same grounds, the deed of a married woman will be avoided, if her acknowledgment has been obtained by duress;<sup>2</sup> and a settlement by a wife on her husband, obtained by him by instituting proceedings in divorce, will be set aside.<sup>3</sup>

But a bill will not lie for rescission on the ground of duress *after* the contract.<sup>4</sup>

### 231. Undue influence; gifts; *Huguenin v. Baseley*.

Passing now to the second class of cases, those, namely, in which the fraud springs from the circumstances and condition of the parties to the transaction, it may be stated, as a general rule, that relief will be afforded, in equity, in all transactions in which "influence has been acquired and abused, in which confidence has been reposed and betrayed."<sup>5</sup>

A transaction which takes place under undue influence may be either in the nature of a gift or of a contract. In either aspect it is regarded by courts of equity with a jealous eye; but

<sup>1</sup> *Williams v. Bayley*, L. R. 1 H. L. 218. See *Bentley v. Robson*, 117 Mich. 691; *Heaton v. Bank*, 59 Kan. 281; *Coffman v. Lookout Bank*, 5 Lea, 232; *Jordan v. Elliott*, 12 W. N. C. 56; *Norton v. Norton*, 74 Ia. 161; *Bryant v. Peck & Co.*, 154 Mass. 460; *Davis v. Smith*, 68 N. H. 253; *Lomerson v. Johnston*, 47 N. J. Eq. 312; *Lappin v. Crawford*, 186 Mo. 462; *Hensinger v. Dyer*, 147 Id. 219; *Turner v. Overall*, 172 Id. 271; *Hargreaves v. Korcek*, 44 Neb. 600. But see *Shattuck v. Watson*, 53 Ark. 147.

<sup>2</sup> *McCandless v. Engle*, 51 Pa. 309; *Michener v. Cavender*, 38 Id. 337; *Louden v. Blythe*, 16 Id. 532. For the rule at law, see *Fairbanks v. Snow*, 145 Mass. 153.

<sup>3</sup> *Dolliver v. Dolliver*, 94 Cal. 642. See, also, *Curtis v. Crossley*, 59 N. J. Eq. 358.

<sup>4</sup> *Fulton v. Loftis*, 63 N. C. 393. To justify setting aside a deed upon the ground of duress, the grantor must *at the time of its execution* have been in such fear of his life, or of bodily harm in case of refusal as to so affect his mind that the execution of the deed cannot be said to be his voluntary act. *Hints v. Hints*, 222 Ill. 248.

<sup>5</sup> *Smith v. Kay*, 7 H. L. Cas. 750. The language of Lord Kingsdowne is even more striking than that used by Sir Samuel Romilly in his celebrated reply in *Huguenin v. Baseley*, viz., that "the relief stands upon a general principle applying to all the varieties of relations in which dominion may be exercised by one person over another."

the scrutiny in cases of gifts is more severe and searching than in those of contracts.

The leading authority upon the subject of gifts which are obtained through undue influence is *Huguenin v. Baseley*,<sup>1</sup> where a widow lady executed a voluntary settlement upon a clergyman who had ingratiated himself with her, and had induced her to withdraw her affairs from the hands of her solicitor, by whom they had been previously managed. The settlement was set aside, on the ground of the confidential relations of the parties. "The question," said Lord Eldon, "is not whether she knew what she was doing, had done, or proposed to do, but *how the intention was produced*; whether all care and providence was placed around her, as against those who advised her, which from their situation and relation in respect to her they were bound to exert on her behalf."

So, in the case of *Wright v. Vanderplank*, the court said that, had it not been for the length of time during which the transaction had been acquiesced in, and by which alone the complainant was barred, a gift from a daughter, soon after attaining twenty-one, to her father would have been set aside solely on the ground of the jealousy with which, upon principles of natural justice, and upon considerations important to the interests of society, the law examines, scrutinizes, and weighs in golden scales every such transaction.<sup>2</sup>

<sup>1</sup> 14 Ves. 273; 2 Lead. Cas. Eq. 556 (4th Eng. ed.). See *Kirwan v. Cullen*, 4 Ir. Ch. 330; *McKinney v. Hensley*, 74 Mo. 326; *Buchanan v. Gibbs*, 26 Kan. 277; *Shaw v. Ball*, 55 Ia. 55, and *Falk v. Turner*, 101 Mass. 494, for cases which were held *not* to fall under the doctrine of *Huguenin v. Baseley*.

<sup>2</sup> *Wright v. Vanderplank*, 8 De G., M. & G. 137. See, also, *Turner v. Collins*, L. R. 7 Ch. 329; *Hoghton v. Hoghton*, 15 Beav. 278; *Prideaux v. Lonsdale*, 1 De G., J. & Sm. 433; *Everitt v. Everitt*, L. R. 10 Eq. 405; *Tomson v. Judge*, 3 Drew. 306; *Broun v. Kennedy*, 33 Beav. 133; *Savery v. King*, 5 H. L. Cas. 626; *Lyon v. Home*, L. R. 6 Eq. 655 (where a transfer of £24,000 by an

old lady of seventy-five to a spiritualist was set aside); *Lockwood v. Lockwood*, 124 Mich. 627 (a case of conveyance of all her property by a woman of seventy to her son); *Sherin v. Flinn*, 155 Ind. 422; *Fulham v. McCarthy*, 1 H. L. Cas. 703; *Greenfield's Estate*, 14 Pa. 507; *Wistar's Appeal*, 54 Id. 63; *Taylor v. Taylor*, 8 How. 183; *Slocum v. Marshall*, 2 Wash. C. C. 397; *Brock v. Barnes*, 40 Barb. 521; *Gibbes v. N. Y. Life Ins. Co.*, 67 How. Pr. 207; *Barnard v. Gantz*, 140 N. Y. 249; *Post v. Hagan*, 71 N. J. Eq. 234; *Cherbonnier v. Evitts*, 56 Md. 276; *Zimmerman v. Bitner*, 79 Id. 115; *Ashton v. Thompson*, 32 Minn. 25; *Caspari v. The First German Church*, 82 Mo. 649; *Todd v. Grove*, 33 Md.

The whole subject was considered in the English Court of Appeals in the case of *Allcard v. Skinner*.<sup>1</sup> There a single woman, thirty-five years of age, under the advice of her spiritual director and confessor, became an associate in a Protestant institution known as "The Sisters of the Poor." The Sisterhood is under the control of a lady superior. Among the vows taken by the associates were those of poverty and of obedience to the lady superior; and the rules provided that no external advice should be received save with the superior's consent. Miss Allcard, upon becoming an associate, made a will bequeathing all her property to the superior; and shortly afterwards handed over to her large sums in money and in railway stock. In May, 1879, Miss Allcard left the Sisterhood. In 1885 she brought an action to recover the money and stock. It was held, on the principle of *Huguenin v. Baseley*, that her equitable right was good, but that, under *Wright v. Vanderplank*, it had been lost by laches.

It is essential that the donor, under such circumstances, should have the advantage of competent and independent advice; and if the person who stands in the confidential relation wishes to hold the benefit conferred, he must show that the person conferring it had such advice.<sup>2</sup>

The same considerations, however, are not universally applicable to *testamentary* dispositions. Thus, a client may make a gift to a solicitor by will, even though the will is drawn by the solicitor, provided the will was not made under any mistake or misapprehension caused by the solicitor;<sup>3</sup> and so, also, the nat-

188; *Turner v. Turner*, 44 Mo. 535; *Knox v. Singmaster*, 75 Ia. 64; *Good v. Zook*, 116 Id. 582; *Davis v. Strange*, 86 Va. 793; *Curlett v. Newman*, 30 W. Va. 182; *Ryan v. Price*, 106 Ala. 584; *Ross v. Conway*, 92 Cal. 632; *Soberanes v. Soberanes*, 97 Cal. 140. See *Corp. of Latter Day Saints v. Watson*, 25 Utah, 45; *Dowie v. Driscoll*, 203 Ill. 480.

<sup>1</sup> 36 Ch. D. 145. See *Morley v. Loughnan* [1893], 1 Ch. 736, where a man without means, employed by a wealthy epileptic as a travelling companion, converted the latter to his own religious views and gradually

obtained from him most of his fortune. The defendant was compelled to refund on the ground of undue influence under guise of religion.

<sup>2</sup> *Rhodes v. Bate*, L. R. 1 Ch. 252; *Allcard v. Skinner*, 36 Ch. D. 145; *Corporation of Latter Day Saints v. Watson*, 25 Utah, 45. See *Ross v. Conway*, 92 Cal. 632; *Collins v. Collins*, 45 N. J. Eq. 813; *Corrigan v. Pironi*, 48 Id. 607; *Post v. Hagan*, 71 N. J. Eq. 234.

<sup>3</sup> *Hindson v. Weatherill*, 5 De G., M. & G. 301. See *Mitchell v. Homfray*, 8 Q. B. Div. 587; also, 2 Lead. Cas. Eq. 390.



ural influence of a son over a father will not, of itself, render a testamentary disposition in the son's favor invalid.<sup>1</sup>

Even gifts between persons who stand in no confidential relation to each other are watched with jealousy.<sup>2</sup>

### 232. Contracts; *Tate v. Williamson*.

Passing now from the subject of gifts to that of contracts, it may be stated, as a general rule, that a contract between parties who stand in a confidential relation to each other falls under the principle laid down by Lord Kingsdowne in *Smith v. Kay*.<sup>3</sup> Wherever two persons stand in such a relation that, while it continues, confidence is necessarily reposed by one, and the influence which necessarily grows out of that confidence is possessed by the other, and this confidence is abused, or the influence is exerted to obtain an advantage at the expense of the confiding party, the person so availing himself of his position will not be permitted to retain the advantage, although the transaction could not have been impeached if no such confidential relation had existed.<sup>4</sup> There can be no contract between the two, except after the fullest and fairest explanation and communication of every particular resting in the breast of the one who seeks to establish the contract with the person so trusting him.<sup>5</sup> This doctrine was applied by Lord Chancellor Chelmsford in *Tate v. Williamson*, a case which well illustrates the extent and nature of the general principle. There Tate, a young man of twenty-three, who was the owner of a moiety of a freehold estate, and who was largely indebted, wrote to his great-uncle for advice and assistance in regard to the payment of his debts. His great-uncle sent a nephew, Williamson, to see Tate upon the subject, and Williamson made an offer to purchase Tate's moiety of the estate for £7000, which was verbally accepted. Before any agreement was signed, Williamson obtained a valuation by a surveyor, estimating the value of the mines under the whole tract at £20,000. The sale was completed without this infor-

<sup>1</sup> *Mackall v. Mackall*, 135 U. S. 173-174.

<sup>2</sup> 2 Lead. Cas. Eq. 582. See *Cooke v. Lamotte*, 15 Beav. 234.

<sup>3</sup> 7 H. L. Cas. 750; *ante*, p. 362.

<sup>4</sup> *Tate v. Williamson*, L. R. 2 Ch. 61, *per* Lord Chelmsford. See *Butler v. Prentiss*, 158 N. Y. 49; *Marshall v.*

*Coleman*, 187 Ill. 556, and *Hall v. Winam*, 14 Hawaii, 306.

<sup>5</sup> Note to *Fox v. Mackreth*, 1 Lead. Cas. Eq. 171 (4th Eng. ed.). See, also, *Norris v. Tayloe*, 49 Ill. 17; *Finegan v. Theisen*, 92 Mich. 173; *Butler v. Prentiss*, 158 N. Y. 49; *Van Dusen v. Bigelow*, 13 N. D. 277.

mation having been communicated to Tate. A bill was subsequently filed by Tate to set the sale aside, and a decree in his favor was made by Vice-Chancellor Wood,<sup>1</sup> which was affirmed by Lord Chelmsford.<sup>2</sup> It will be observed that in this case there was no well-defined confidential relation (such as that of attorney and client, guardian and ward, and so forth) existing between the parties; but that the circumstances of the transaction were such that one man necessarily was trusted by the other, and when that confidence arose, no matter how, the duty of full disclosure immediately arose with it. It shows the truth of the remark made by Lord Cranworth in *Smith v. Kay*,<sup>3</sup> that the familiar cases of the influence of a parent over his child, of a guardian over his ward, of an attorney over his client, are but instances of a broad and widely applicable principle.<sup>4</sup>

### 233. Parties between whom confidential relation ordinarily exists.

Starting, therefore, with the general principle that all transactions, whether of gift or contract, made under undue influence growing out of the relations of the parties, may, if they are injurious to the confiding party, be set aside solely on the ground of the confidential relation, and without more, let us see how this principle has been applied to the numerous cases in which such confidential relations ordinarily arise.

There are many such relations. In some of them the contract is absolutely voidable at the option of the party who is presumed to be imposed upon; while in others the confidential

<sup>1</sup> The case, when before the Vice-Chancellor's court, is reported, L. R. 1 Eq. 528.

<sup>2</sup> L. R. 2 Ch. 55. See, also, *Grosvenor v. Sherratt*, 28 Beav. 659; *Cary v. Cary*, 2 Sch. & Lef. 173; *Gibson v. Jeyes*, 6 Ves. 266; *Gresley v. Mousley*, 3 De G., F. & J. 433.

<sup>3</sup> 7 H. L. Cas. 771.

<sup>4</sup> See, also, *Turner v. Turner*, 44 Mo. 535; *Harkness v. Fraser*, 12 Fla. 341; *Bayliss v. Williams*, 6 Cold. 442; *Kline v. Kline*, 57 Pa. 120; *Rockafellow v. Newcomb*, 57 Ill. 186; *Rothembarger v. Rothembarger*, 111 Mo. 9; *McCormick v. Malin*, 5 Blackf. 509.

In this last case it was said with succinctness and accuracy that the rule under consideration applies "to all cases where confidence on the one hand and influence on the other, exist, from whatever causes they may spring;" citing *Griffiths v. Robins*, 3 Mad. 191; *Revett v. Harvey*, 1 Sim. & S. 502. And see *Shipman v. Furniss*, 69 Ala. 555; *Gillespie v. Holland*, 40 Ark. 28; *Brown v. Burbank*, 64 Cal. 99, and *Bowen v. Wolff*, 23 R. I. 56; *Whitesell v. Strickler*, 167 Ind. 612. But see *Hemingway v. Coleman*, 49 Conn. 390, and *Taylor v. Johnston*, 19 Ch. D. 603.

relation is *prima facie* evidence of fraud, which may, however, be rebutted by showing that the transaction is a fair and honest one, and that no improper advantage has been taken of the influence arising out of the confidential relation.

The question always is, to what extent may undue influence be presumed from the relation of the parties.

### 234. Guardian and Ward.

This presumption of undue influence is more or less strong according to the peculiar relations which the parties occupy towards each other.

The relation of guardian and ward is one in which the presumption exists, perhaps, in the highest degree; and a transaction between persons thus situated during the continuance of the relationship, and, especially, if it takes the form of a gift, can rarely, if ever, stand.<sup>1</sup>

The same rule applies, though not with the same stringency, to contracts between guardian and ward, and to gifts from the latter to the former, immediately after the ward has attained his majority; the reason being that the influence acquired during the continuance of the relation is still supposed to exist and all settlements or dispositions of property are presumed to be made under undue influence.<sup>2</sup> If such transactions, therefore, are ever sustained, they are only so when the utmost good faith is displayed by the guardian, and when the ward is put fully in possession of all the information in regard to the property, which is necessary in order that he may make an advantageous and intelligent disposition of it.<sup>3</sup> Hence, although a gift from a ward to his guardian *may* be sustained if it is shown to have been made upon a fair, serious, and well-informed consideration, it will not, as a general rule, be suffered to stand, although there may not be any evidence of actual unfairness.<sup>4</sup> In other

<sup>1</sup> See *Farmer v. Farmer*, 39 N. J. Eq. 211; *Cowee v. Cornell*, 75 N. Y. 99; *Wehrle's Appeal*, 189 Pa. 179; *Baum v. Hartmann*, 226 Ill. 160.

<sup>2</sup> *Dawson v. Massey*, 1 B. & B. 226; *Blackmore v. Shelby*, 8 Humph. 439; *Boetwick v. Atkins*, 3 Comst. 53; *Gallatain v. Cunningham*, 8 Cow. 367; *McConkey v. Cockey*, 69 Md. 286; *Williams v. Davison's Est.*, 133

Mich. 344; *Scoville v. Brock*, 79 Vt. 449.

<sup>3</sup> *Eberts v. Eberts*, 55 Pa. 119; *Wills's Appeal*, 22 Id. 332; *Womaek v. Austin*, 1 S. C. (N. S.) 421.

<sup>4</sup> See *Hylton v. Hylton*, 2 Ves. Sr. 547; *Hatch v. Hatch*, 9 Ves. 291; *Wright v. Carter* [1903], 1 Ch. 27; *Somes v. Skinner*, 16 Mass. 348; *Richardson v. Linney*, 7 B. Mon. 571;

words, the presumption is against the bargain or the bounty; and the *onus* of showing its entire fairness is thrown upon the guardian. It *may* be valid; but inherently, and of itself, it is presumptively fraudulent. So also settlements made soon after the ward comes of age, and especially before he is in possession of his estate, are viewed by the court with a watchful and even jealous eye.<sup>1</sup> To sustain such settlements it must appear that the ward had sufficient time and opportunity to examine the guardian's accounts; and that he was either himself competent to make the examination, or was assisted by competent and independent advice.<sup>2</sup> If these elements of fairness co-exist the settlement will be allowed to stand.<sup>3</sup>

On the same principles a covenant by a man about to marry, to release his intended wife's mother from all accounts of mesne profits, was set aside.<sup>4</sup>

### 235. Parent and child.

Transactions between parent and child, while not viewed with the same degree of suspicion as those between guardian and ward, are, nevertheless, always closely investigated in equity, and will be set aside if there is the slightest evidence of imposition or unfairness. The mere existence of the relation of parent and child (it has been said) is not, perhaps, enough to vitiate an act which, as between strangers, would have been valid;<sup>5</sup> and although English authorities seem to favor a stricter rule,<sup>6</sup> yet

*Andrews v. Jones*, 10 Ala. 400; *Garvin v. Williams*, 50 Mo. 206.

<sup>1</sup> *Says v. Barnes*, 4 S. & R. 112; *Elliot v. Elliot*, 5 Binn. 8; *Fish v. Miller*, 1 Hoff. Ch. 267; *Waller v. Armistead*, 2 Leigh, 11; *Baylor v. Fulkerson*, 96 Va. 265.

<sup>2</sup> *Stanley's Appeal*, 8 Pa. 431; *Garvin v. Williams*, 44 Mo. 465; *In re Van Horne*, 7 Paige Ch. 46; *Witt v. Day*, 112 Ia. 110.

<sup>3</sup> See *Sherry v. Sansberry*, 3 Ind. 320; *Hawkins's Appeal*, 32 Pa. 265; *Cowan's Appeal*, 74 Id. 329; *Kirby v. Taylor*, 6 Johns. Ch. 248; *Meek v. Perry*, 36 Miss. 190; *Baylor v. Fulkerson*, 96 Va. 265.

<sup>4</sup> *Duke of Hamilton v. Lord Mohun*, 1 P. Wms. 118. See, however, *Fish*

*v. Cleland*, 23 Ill. 238; *Cleland v. Fish*, 43 Id. 282.

<sup>5</sup> *Jenkins v. Pye*, 12 Pet. 241. See *Hawkins's Appeal*, 32 Pa. 263; *Crothers v. Crothers*, 149 Id. 201; *Francis v. Wilkinson*, 147 Ill. 370; *Bauer v. Bauer*, 82 Md. 241; *Bergen v. Udall*, 31 Barb. 9; *In re Martin*, 98 N. Y. 193; *Millican v. Millican*, 24 Tex. 426; *Knox v. Singmaster*, 75 Ia. 64; *Ferns v. Chapman*, 211 Ill. 597. The rule, however, is more strictly stated in *Archer v. Hudson*, 7 Beav. 551, by Lord Langdale, M. R. (the transaction, however, was not in that case one between parent and child) and see p. 363, note 2.

<sup>6</sup> *Ante*, § 231. See, also, *Baker v. Bradley*, 7 De G., M. & G. 597;

the modern American cases seem to justify the doctrine that a more liberal view should be taken.<sup>1</sup> Of course, if there is any evidence of pressure or influence *unduly* exercised, the transaction can never stand.<sup>2</sup>

A leading case on this subject is *Taylor v. Taylor*, where the improper manner in which parental influence may be exercised is strikingly exemplified.<sup>3</sup> Dispositions of property, however, which amount to reasonable and convenient family arrangements, will be upheld as between parent and child.<sup>4</sup> Ordinarily the influence which is to be guarded against is that of the parent over the child; but the case is sometimes reversed, and the natural relation of the parties is changed by time, the parent becoming dependent upon the child. In such cases the rules already stated will apply, and a contract improperly obtained by virtue of such influence will be set aside.<sup>5</sup> But it has been decided that in cases in which the benefit moves from the parent to the child, there is no burden resting upon the latter to explain the gift or show the fairness of the contract;<sup>6</sup> and this ruling would seem to be entirely correct, although it need scarcely be added that any attempt at misrepresentation or over-reaching will render the gift or contract voidable.<sup>7</sup> These principles as to parent and child are applicable also to cases in which a voluntary gift is obtained by a person who stands *in loco parentis* to the donor.<sup>8</sup>

*Wright v. Vanderplank*, 8 Id. 137.  
*Hoghton v. Hoghton*, 15 Beav. 278,  
*Noble v. Moses*, 81 Ala. 530; *Smith v.*  
*Smith*, 60 Wis. 329; *Miskey's Appeal*,  
 107 Pa. 611, and *Baldock v. Johnson*,  
 14 Oreg. 542.

<sup>1</sup> See *Coleman's Estate*, 193 Pa. 612; *Slayback v. Witt*, 151 Ind. 376; *Whiteley v. Whiteley*, 120 Mich. 30, *Sawyer v. White*, 58 C. C. A. 587; *Bonsal v. Randall*, 192 Mo. 525; *Kennedy v. McCann*, 101 Md. 643.

<sup>2</sup> *Williams v. Williams*, 63 Md. 171; *Becker v. Schwerdtle*, 141 Cal. 386.

<sup>3</sup> *Taylor v. Taylor*, 8 How. 183; *Bergen v. Udall*, 31 Barb. 9; *Miller v. Simonds*, 72 Mo. 669; *Gibson v. Hammang*, 63 Neb. 349.

<sup>4</sup> *Jenner v. Jenner*, 2 Giff. 232; 2 De G., F. & J. 359; *Hartopp v. Har-*

*topp*, 21 Beav. 259; *Hoblyn v. Hoblyn*, 41 Ch. D. 200; *Simonds's Estate*, 201 Pa. 417, 418. See *Williams v. Williams*, L. R. 2 Ch. 294; *Marshall v. Marshall*, 75 Ia. 132.

<sup>5</sup> *Highberger v. Stiffer*, 21 Md. 338; *Whelan v. Whelan*, 3 Cow. 587; *Martin v. Martin*, 1 Heisk. 653; *Bowe v. Bowe*, 42 Mich. 195; *Norton v. Norton*, 74 Ia. 161; *Green v. Roworth*, 113 N. Y. 462; *Mott v. Mott*, 49 N. J. Eq. 192; *Payette v. Ferrier*, 20 Wash. 479; *Bogie v. Bogie*, 41 Wis. 209; *Forrestel v. Forrestel*, 110 Ia. 614.

<sup>6</sup> *Clark v. Clark*, 174 Pa. 336 (where some of the authorities are collected); *Carney v. Carney*, 196 Id. 38, and *Haynes v. Harriman*, 117 Wis. 132.

<sup>7</sup> *Smith v. Snowden*, 96 Ky. 32.

<sup>8</sup> *Archer v. Hudson*, 7 Beav. 551.

### 236. Solicitor and client.

The rule in regard to solicitor and client is more stringent than in either of the two cases already considered.<sup>1</sup> A solicitor may purchase from his client, although the bargain will be subjected to the most rigid scrutiny, and the *onus* of showing its fairness lies on the former;<sup>2</sup> but a gift from client to counsel during the continuance of the relation, is absolutely void.<sup>3</sup>

Indeed, even in cases of contract, where the property is the subject-matter of the litigation in which the attorney is acting, it is with great difficulty that the purchase can, under any circumstances, be sustained.<sup>4</sup> The utmost good faith (*uberrima fides*) is required on the part of the legal adviser; and the general rule of public policy, which discountenances transactions between persons who are situated in a confidential relation towards each other, applies with particular force to the case of attorneys-at-law who are officers of the court, and are, on that ground, as well as on account of the powerful influence which they exercise over the minds of their clients, restrained from dealing with those whose interests they have in charge.

See, also, as to the effect of family relationship upon such transactions, *Harvey v. Mount*, 8 Beav. 489; *Kennedy v. Kennedy*, 2 Ala. 571; *Dunn v. Chambers*, 4 Barb. 376; *Sears v. Shafer*, 6 N. Y. 268; *Smith v. Smith*, 134 Id. 62 (where the deed was not read); *Odell v. Moss*, 137 Cal. 542.

<sup>1</sup> See *Tyrrell v. The Bank of London*, 10 H. L. Cas. 26; *Roby v. Colehour*, 135 Ill. 300.

<sup>2</sup> He must prove the absence of undue influence, or the "*fraus inwards clientis*," as it is termed. See, also, *Al Foe v. Bennett*, 35 Oreg. 231; *Cullop v. Leonard*, 97 Va. 256; *Shropshire v. Ryan*, 111 Iowa, 677; *Vanasee v. Reid*, 111 Wis. 303; *Klein v. Borchert*, 89 Minn. 377. In *Fellows v. Smith*, 190 Pa. 301, a contract between attorney and client and a conveyance made to the son of the former on account thereof were sustained. The transaction was shown to be fair and to be free from any actual fraud.

<sup>3</sup> *Holman v. Loynes*, 4 De G., M. & G. 270; *Greenfield's Estate*, 14 Pa. 439, 506. See, also, *Morgan v. Minott*, 6 Ch. Div. 638, and *Wright v. Carter* [1903], 1 Ch. 27-50, where *Vaughan Williams, L. J.*, said, speaking of such a gift, that "it would be very difficult to support it"—a guarded statement. See *Powell v. Powell* [1900], 1 Ch. 243.

<sup>4</sup> Quoted in *Stubinger v. Frey*, 116 Ga. 396. An attorney-at-law who bargains with his client in a matter of advantage to himself, if the transaction is to be sustained in equity, must show that he fully and faithfully discharged his duty to his client, not only by refraining from any misrepresentation or concealment of any material fact, but by exercising active diligence to see that his client was fully informed of the nature and effect of the transaction and of the attorney's interest in the matter involved. *Hill v. Hall*, 191 Mass. 253.

The question is not whether there was any actual imposition in the particular case. Lord Loughborough, in *Newman v. Payne*, when speaking of Lord Hardwicke's decision on this point, in *Walmsley v. Booth*,<sup>1</sup> says that "it was the case of Japhet Crook, who was *more like to impose than be imposed on*, yet he *might* be imposed on;" and this is the ground upon which courts of equity have always gone, viz., the fear lest the client "*might* be imposed on."<sup>2</sup>

This rule as to attorneys will apply as long as the relation continues, and even after it has ceased, if the transaction takes place under the still subsisting influence of that relation.<sup>3</sup>

It will not, however, apply when the relation has ceased, and the influence growing out of the same has terminated;<sup>4</sup> and when the attorney has assumed the hostile attitude of a pressing creditor, he may deal with his client as with a stranger.<sup>5</sup>

A client *may* make a gift to his counsel in his will.<sup>6</sup>

### 237. Trustee and *cestui que trust*.

The relation of trustee and *cestui que trust* is also one of peculiar confidence. The trustee necessarily has ample opportunities for a thorough knowledge of the value, both present and prospective, of the trust estate, of which the *cestui que trust*, not having the management of affairs in his hands, must, to a great extent, be ignorant; while at the same time the influence which

<sup>1</sup> 2 Atk. 25.

<sup>2</sup> *Newman v. Payne*, 2 Ves. Jr. 200. See, also, *King v. Savery*, 5 H. L. Cas. 626; *McPherson v. Watt*, 3 App. Cas. 254; *Liles v. Terry* [1895], 2 Q. B. 679; *Readdy v. Pendergast*, 55 L. T. (N. S.) 768; *Merritt v. Lambert*, 10 Paige Ch. 352; *Mahan v. Smith*, 6 Heisk. 167; *Trotter v. Smith*, 59 Ill. 240; *Mott v. Harrington*, 12 Vt. 199; *Miles v. Ervin*, 1 McCord Ch. 524; *Smith v. Brotherline*, 62 Pa. 461; *Riagi v. Phelps*, 4 N. Dak. 272; *Cunningham v. Jones*, 37 Kan. 477; *Cox v. Delmas*, 99 Cal. 104-124; *Mansfield v. Wallace*, 217 Ill. 610; *Wendell v. Van Rensselaer*, 1 Johns. Ch. 344; *Levara v. McNeny*, 73 Neb. 414. See also, *Perry v. Dicken*, 105 Pa. 83, and *Herr v. Payson*, 157 Ill. 244—cases

which must be considered as exceptional, and *Lewis v. Broun*, 36 W. Va. 1, where the recovery was barred by *laches*.

<sup>3</sup> *Henry v. Raiman*, 25 Pa. 454; and see *Beedle v. Crane*, 91 Mich. 429. Nor will the subsequent relation of attorney and client affect a former transaction. *Saffer v. Mast*, 223 Ill. 108; *Guinan v. Donnell*, 201 Mo. 173.

<sup>4</sup> *Wood v. Downes*, 18 Ves. 127; but see *Troxell v. Silverthorn*, 45 N. J. Eq. 330.

<sup>5</sup> *Johnson v. Fesemeyer*, 3 De G. & J. 13.

<sup>6</sup> *Hindson v. Weatherill*, 5 De G., M. & G. 301. And see as to spiritual advisers, *McEnroe v. McEnroe*, 201 Pa. 477; *Caughey v. Bridenbaugh*, 208 Pa. 414.

the former exercises over the mind of the latter is generally very considerable. The general rule, therefore, is, that the trustee cannot take beneficially by purchase or gift from the *cestui que trust*. The transaction is ordinarily voidable at the option of the latter.<sup>1</sup>

But the gift or purchase may be deprived of its aspect of presumptive fraud by the absence of those elements of which fraud is made up. These are, as has just been stated, knowledge on the part of the trustee, ignorance on the part of the *cestui que trust*, and influence unduly used by the former over the mind of the latter. If, therefore, the information which the trustee has is in no way superior to that of the *cestui que trust*; if the latter is fully informed of all the facts of the case, and their probable bearings upon the value of the property; and if he is acting upon independent advice, and his mind is entirely free from any control of the trustee, and the transaction be in itself a reasonable one, it may, under these circumstances, be upheld.<sup>2</sup> The rule under consideration grows out of the general principle, explained in a former chapter, that a trustee can make no profit out of the trust estate.<sup>3</sup>

The rule does not apply to the case of a mere dry trustee. The position of such a trustee gives him no vantage ground, either of superior information or of undue influence, over the *cestui que trust*, and the parties, therefore, deal as strangers, and are subject to the ordinary rules of buyer and seller.<sup>4</sup>

The same rule as that which exists between trustee and *cestui que trust* applies to all persons who occupy a fiduciary, or quasi fiduciary relation—such as executors or administrators,<sup>5</sup> direc-

<sup>1</sup> *Coles v. Trecothick*, 9 Ves. 234; *Dougan v. Macpherson* [1902], A. C. 197; *Smith v. Townshend*, 27 Md. 368; *Clarke v. Deveau*, 1 S. C. (N. S.) 184; *Diller v. Brubaker*, 52 Pa. 498; *Wistar's App.*, 54 Id. 60; *Parshall's App.*, 65 Id. 224; *Spencer's App.*, 80 Id. 332; notes to *Fox v. Mackreth*, 1 Lead. Cas. Eq. 115; *Perry on Trusts*, § 195; *Ryle v. Ryle*, 41 N. J. Eq. 582; *Griffith v. Godey*, 113 U. S. 89; *Richards v. Pitts*, 124 Mo. 602; *Cole v. Stokes*, 113 N. Car. 270; *Luding-*

*ton v. Patton et al.*, 111 Wis. 208, 242.

<sup>2</sup> See *Perry on Trusts*, § 195; *Hill on Trustees*, 158.

<sup>3</sup> See *ante*, § 143. See, also, *Brownfield's Appeal*, 193 Pa. 151.

<sup>4</sup> *Parkes v. White*, 11 Ves. 226; *Inlow v. Christy*, 187 Pa. 191. And one legatee may buy from another, although the executor, who is also the husband of the purchaser, acts as agent in the transaction. *Dundas' Estate*, 136 Pa. 318. One who ren-

<sup>5</sup> *State v. Culhane*, 78 Conn. 622.



tors of a corporation or a society,<sup>1</sup> agents,<sup>2</sup> medical or religious advisers,<sup>3</sup> husband and wife,<sup>4</sup> a man and woman engaged to be

ders gratuitous assistance to a friend does not by so doing enter into a confidential relation with him. *Fletcher v. Bartlett*, 157 Mass. 113.

<sup>1</sup> *Richardson v. Green*, 133 U. S. 30; *Sheffield Soc. v. Aislewood*, 44 Ch. D. 412; *Williamson v. Krohn*, 31 U. S. App. 325; *Bird C. & I. Co. v. Humes*, 157 Pa. 278; *Pacific Vinegar Works v. Smith*, 145 Cal. 352. See *Glenwood Mfg. Co. v. Syme*, 109 Wis. 355; *Janney v. Minneapolis Industrial Exposition*, 79 Minn. 487; *Patterson v. Smelting Works*, 35 Oreg. 96; *New Memphis Gas Light Co. Cases*, 105 Tenn. 268; *Taylor v. Mitchell*, 80 Minn. 492; *Moasher v. Sinnott*, 20 Colo. App. 454; *Northwestern Land Ass'n v. Grady*, 137 Ala. 219; *De Bardeleben v. Bessemer Land Co.*, 140 Ala. 621. But a sale of stock by a stockholder to a director is not within the rule applicable to dealings between parties in confidential relations. *Carpenter v. Danforth*, 52 Barb. 581; *Percival v. Wright* [1902], 2 Ch. 421; *Walsh v. Goulden*, 130 Mich. 531. Unless the director is also the managing officer. *Stewart v. Harris*, 69 Kan. 498. And a member of a corporation may sell to the corporation. See the remarks of *Lindsey, L. J.*, in *Farrar v. Farrars, Limited*, 40 Ch. D. 409-410. Nor are directors of a corporation technical trustees. They are mandatories, and

are bound to use no more than ordinary skill and diligence. *Spering's Appeal*, 71 Pa. 11; *Watts's Appeal*, 78 Id. 392; *Van Weel v. Winston*, 115 U. S. 228; *Briggs v. Spaulding*, 141 Id. 132 (*infra*); *Barr v. Pittsburgh Glass Co.*, 17 U. S. App. 124-141. See, however, the remarks of *Bacon, V. C.*, in *Fliteroft's Case*, 21 Ch. D. 525. As to the conduct of directors, it may be remarked that it is to be gauged (as is that of all other gratuitous mandatories) not by the ordinary care which business men give to their own affairs, but by the care which is usually given by similar gratuitous mandatories. *In re Forrest of Dean Coal Mining Co.*, 10 Ch. D. 450; *In re Faure Electric Co.*, 40 Id. 141; *Briggs v. Spaulding*, 141 U. S. 132; *Swentzel v. Penn Bank*, 147 Pa. 140. A stockholder has a right to deal with the corporation at arm's length. *Russell v. Fuel Gas Co.*, 184 Pa. 107; *Nye v. Storer*, 168 Mass. 55; but a majority of stockholders cannot authorize a sale of corporate assets and sell to themselves. *Chicago Hansom Cab Co. v. Yerkes*, 141 Ill. 320. See, in this connection, *Parsons v. Tacoma Smelting and Refining Co.*, 25 Wash. 492, and *Glengarry Consol. Min. Co. v. Boehmer*, 28 Colo. 1; *Barker v. Montana Gold Mining Co.*, 35 Mont. 351.

<sup>2</sup> See *Barrow v. Rhinelander*, 1

<sup>3</sup> *Ahearn v. Hogan*, 1 Drury, 310; *Greenfield's Est.*, 24 Pa. 232; *Unruh v. Lukens*, 166 Id. 324; *King v. Ordway*, 73 Ia. 735; *Newman v. Smith*, 77 Cal. 22; *Connor v. Stanley*, 72 Id. 556; *Finegan v. Theisen*, 92 Mich. 173. As to the validity of gifts from nuns to their convents, see *Allcard v. Skinner*, 36 Ch. D. 145, *ante*, § 231; *Whyte v. Meade*, 2 Ir. Eq. 420; *McCarthy v. McCarthy*, 9 Id. 620; s. c.

*nomine Fulham v. McCarthy*, 1 H. L. Cas. 703. See, also, *In re Metcalfe's Trusts*, 2 De G., J. & Sm. 122; article in 10 Jur. (N. s.) 91; note to *Huguenin v. Baseley*, 2 Lead. Cas. Eq. 581 (4th Eng. ed.); *Norfleet v. Beall*, 82 Miss. 538; *Viallet v. Ry. Co.*, 30 Utah, 260.

<sup>4</sup> *Darlington's Appeal*, 86 Pa. 512; *Ilgenfrits v. Ilgenfrits*, 116 Mo. 429; *Harraway v. Harraway*, 136 Ala. 499.

married<sup>1</sup>—in fine, to all those who occupy positions of trust and confidence towards others.<sup>2</sup> And the rule may be applied to instances where, as in the case of dealings between a surviving partner of a firm and the personal representative of the deceased partner, although there may not be any confidential relation which gives rise to the existence and exercise of undue influence, yet there may nevertheless exist (as was aptly said in a case in Virginia) “that dangerous *inequality of knowledge* with respect to the subject-matter” which will result in the transaction being set aside if it does not turn out, after jealous scrutiny, to have been reasonable, fair, and just.<sup>3</sup>

### 238. Fiduciary can make no profit; *Tyrrell v. Bank.*

Equity not only views gifts and contracts which are made or take place between parties occupying a confidential relation with a jealous eye, but it goes further, and forbids any person standing in a fiduciary position from making any profit, in any way, at the expense of the party whose interests he is bound to protect, without the fullest and most complete disclosure.<sup>4</sup> This proposition leads us to an interesting class of cases, of which the leading one may be said to be *Tyrrell v. The Bank of London*, in the House of Lords.<sup>5</sup> In that case there was in existence

Johns. Ch. 550; *Hall v. Knappenberger*, 97 Mo. 509; *Le Gendre v. Byrnes*, 44 N. J. Eq. 372; *Darlington's Estate*, 147 Pa. 624; *Kyle v. Perdue*, 95 Ala. 579; *Triplett v. Woodward*, 98 Va. 187; *Goodhue Farmers', etc., Co. v. Davis*, 81 Minn. 210; *City of Findlay v. Perts*, 31 U. S. App. 340-356. When, however, the relation of principal and agent has terminated and a general settlement is made, actual fraud must be proved in order to disturb it. *Court-right v. Barnes*, 2 McCrary, 532. See, also, *Mitchell v. Homfray*, 8 Q. B. Div. 587; *Van Dusen v. Bigelow*, 13 N. D. 277.

<sup>1</sup> *Barker v. Barker*, 126 Ala. 503; *Russell v. Russell*, 60 N. J. Eq. 282.

<sup>2</sup> See *Hill on Trustees*, 547 (4th Am. ed.); *Ford v. Olden*, L. R. 3 Eq. 461; *McKee v. Griggs*, 51 N. J. Eq.

178; *Scattergood v. Kirk*, 192 Pa. 267; *Tribou v. Tribou*, 96 Me. 305; *Ryan v. Ryan*, 174 Mo. 279. It has been held that there is no such relation between co-tenants. *Herron v. Herron*, 71 Ia. 428; *Kennedy v. De Trafford* [1896], 1 Ch. 762. But the weight of American authority would seem to be the other way. See *ante*, § 93. There is no presumption of fiduciary relation between brothers. *Shevlin v. Shevlin*, 96 Minn. 398; *Fish v. Fish*, 235 Ill. 396.

<sup>3</sup> *Tennant v. Dunlop*, 97 Va. 234. And as to directors of corporations, see *Oliver v. Oliver*, 118 Ga. 362.

<sup>4</sup> The language used in expressing this doctrine was quoted, with approval, in *Loudenlager v. Woodbury Heights Land Co.*, 58 N. J. Eq. 556

<sup>5</sup> 10 H. L. Cas. 26.

a project to start a new bank in London, and among the projectors of the scheme was the appellant, a solicitor, whose firm, it had been agreed, were to be employed as the solicitors of the company. The appellant, hearing that a certain lot of ground was for sale, suitable for the purposes of the bank, entered into an arrangement with a person who controlled the option to buy from the owners, whereby the appellant became interested in the option. He then induced his co-projectors to purchase a portion of the property at an advance, he (of course) making a certain profit by the transaction. After the arrangement was discovered, a bill was filed by the company for the purpose of obtaining relief; and it was held that the appellant was accountable to the company for the profit which he had made. This case is instructive as showing the exact measure of relief which a court of equity affords in such cases, and the grounds upon which that relief rests. The company (it was held) had not a mere right to rescind the bargain into which they had entered; nor, on the other hand, was the appellant held to be a trustee of any property other than that which he had actually bought and conveyed to the company. The decision, therefore, was that the company were not obliged to repudiate the transaction altogether, but were entitled to take the lot, which had been conveyed to them, at the price which it had cost Tyrrell; in other words, that as to that particular property Tyrrell could make no gain at the company's expense.<sup>1</sup> But it was further held that the appellant's liability to account stopped with that particular lot, and did not extend to other property which had been included in the purchase from the original owner.<sup>2</sup>

In *Costa Rica Rwy. Co., Ltd., v. Forwood*,<sup>3</sup> *Rigby, L. J.*, thus stated the general doctrine:

<sup>1</sup> See *Bagnall v. Carlton*, 5 Ch. D. 385; *Redhead v. Parkway Driving Club*, 148 N. Y. 471; *Yale Gas Stove Co. v. Wilcox*, 64 Conn. 102; *Stanley v. Luse*, 36 Oreg. 25; *McKinley v. Williams*, 36 U. S. App. 749; *Central Land Co. v. Obenchain*, 92 Va. 130. See, however, *McMillan v. Arthur*, 98 N. Y. 167. And where the promoters own all the stock of a corporation, and while directors in name are principals in fact, it has

been held that their contract for a diversion of the profits realized from selling the stocks and bonds is not illegal. *McCraehen v. Robison*, 14 U. S. App. 602.

<sup>2</sup> See the argument of Sir Roundell Palmer, afterwards Lord Chancellor Selborne, and the manner in which that argument was answered by the court, 10 H. L. Cas. 31, 45.

<sup>3</sup> [1901] 1 Ch. 753.

"The equitable principle upon which a man in a fiduciary relation who makes what are called secret profits is bound to give them up to the principal for whom he is acting, is a most salutary one and of general application and I do not intend in the observations I am about to make to say anything that will in any way infringe upon that principle. Many people think it a hard principle, but to those who have had experience in such matters it is found to be a principle of necessary application in order to make sure that people will do their duty when they are acting under circumstances of unusual difficulty."

In this connection a recent decision of the English Court of Appeal, Chancery Division, may be noted. One Archer was induced by one R. M. Smith, a promoter of a corporation, to become a director, and for that purpose to take shares, the promoter promising Archer to take the shares off his hands when requested. Accordingly, in 1887, Archer became a director, took fifty shares, paid £500, and remained in the board of directors until June, 1888, when he resigned. Upon his resignation, the fifty shares were repurchased at the same price by Smith. It was held that this transaction was a fraud on the company and Archer was ordered to pay the £500 to the official liquidator. "The director of a company," said Bowen, L. J., "is placed upon the board in order that he may, among other duties, as it appears to me, watch the proceedings of the promoter who is acting as agent for the vendor. Is it lawful, is it tolerable either in equity or in law, that a promoter should be at liberty to have a director in his pay? Certainly not. But he is really having the director in his pay, if he is guaranteeing the director against loss in respect of shares which the director is bound to hold in order to qualify himself under the articles. As I said during the argument, the director is really a watch-dog, and the watch-dog has no right, without the knowledge of his master, to take a sop from a possible wolf."<sup>1</sup>

### 239. Promoters of companies.

This rule is thoroughly established both in England and in

<sup>1</sup> Archer's Case [1892], 1 Ch. 341. See, in this connection, the language of Mr. Justice Brown, of the Supreme Court of the United States, in *McGourkey v. Toledo and Ohio Central*

*Railway Company*, 146 U. S. 537-565; and the ruling in *McClure v. Law*, 161 N. Y. 78, and the decision in *Electric Light Co. v. Bates*, 68 Vt. 579.

the United States.<sup>1</sup> The difficulty is in its application; for it is equally well established that there is no principle of equity which prohibits a man from buying a piece of property, and afterwards saying to those who subsequently unite with him in getting up a company: "I begin the transaction here—I have purchased land, no matter how, or from whom, or at what price—I will sell the land at so much."<sup>2</sup> The test seems to be, whether at the time of the acquisition of the property by the defendant, he was then acting in any way on the company's behalf. If he was, he can make no profit at the company's expense by a purchase and resale.<sup>3</sup>

Moreover, promoters, standing as they do in a fiduciary relation towards subscribers to shares, should give the fullest information as to their own connection with the enterprise.<sup>4</sup>

The redress which is afforded to the *cestui que trust* in cases of fraud by trustees or other fiduciaries is either rescission or

<sup>1</sup> See *Hitchins v. Congreve*, 4 Russ. 574; *Beck v. Kantorowicz*, 3 K. & J. 230; *New Sombrero Phosphate Co. v. Erlanger*, 5 Ch. D. 73; aff'd in 3 App. Cas. 1218; *Gluckstein v. Barnes* [1900], A. C. 240-253; *McAleer v. McMurray*, 58 Pa. 126; *Simons v. The Vulcan Oil Co.*, 61 Id. 202; *McElhenny's Appeal*, Id. 192 (opinion of Sharswood, J.); *Short v. Stevenson*, 63 Id. 95; *Rice's Appeal*, 79 Id. 204; *Yeaney v. Keck*, 183 Id. 540; *Russel v. Fuel Gas Co.*, 184 Id. 102; *Bailey v. Coal Co.*, 69 Id. 340; *Great Luxembourg Ry. Co. v. Magnay*, 25 Beav. 586; *Collins v. Case*, 23 Wis. 230; *Hitchcock v. Hustace*, 14 Hawaii, 232; *Lindley on Partnership*, 481. See article in 16 Am. Law Rev. 671-692. Also *Guest v. Smythe*, L. R. 5 Ch. 551, and the remarks upon this case in the note to *Fox v. Mackreth*, 1 Lead. Cas. Eq. 161 (4th Eng. ed.); *Whitman v. Bowden*, 27 S. C. 53; *Tegarden v. Big Star Zinc Co.*, 71 Ark. 277; *Fred Macey Co. v. Macey*, 143 Mich. 138.

<sup>2</sup> See *Foss v. Harbottle*, 2 Hare, 489; *Kent v. Freehold Land and*

*Brickmaking Co.*, L. R. 4 Eq. 588; *Densmore v. Densmore*, 64 Pa. 49; *McElhenny v. Hubert Oil Co.*, 61 Id. 188; *Richardson v. Graham*, 45 W. Va. 134, and *Gover's Case*, 1 Ch. D. 182.

<sup>3</sup> In the absence of actual fraud the mere fact that the defendant was a promoter does not, under the latest English cases, seem to justify any other relief than rescission. *Burland v. Earle* [1902], A. C. 99; *Erlanger v. New Sombrero Phosphate Co.*, 3 App. Cas. 1236 and 1242; *In re Cape Breton Co.*, 29 Ch. D. 803; *Ladywell Mining Co. v. Brookes*, 35 Id. 400; *Farrar v. Farrars, Limited*, 40 Id. 395; *Exter v. Sawyer*, 146 Mo. 302, and *Yeiser v. United States Board & Paper Co.*, 46 C. C. A. 567; *Cuba Colony Co. v. Kirby*, 149 Mich. 453.

<sup>4</sup> *In re Leeds and Hanley Theatres* [1902], 2 Ch. 809; *In re Olympia* [1898], 2 Ch. 153; on appeal *sub nom.*, *Gluckstein v. Barnes* [1900], A. C. 240. See *Old Dominion Copper Co. v. Bigelow*, 188 Mass. 315, and *Lady Forrest Gold Mine* [1901], 1 Ch. 582

account, according to the circumstances of the case.<sup>1</sup> If the trustee has *resold* the estate, he can be made to account for what he has received over and above the purchase-money he has himself paid; and, in England, he is chargeable with interest at the rate of £4 per cent.<sup>2</sup> The rule in this country as to the trustee's liability to account is the same.<sup>3</sup> If the property has not been sold by the trustee, and the *cestui que trust* wishes to have it back again, he is entitled to a decree for a reconveyance. This decree will be made upon the terms of the *cestui que trust* repaying the purchase-money with interest, and whatever has been expended by way of permanent improvement to the estate, with an allowance for acts which have deteriorated its value and an account of the rents and profits.<sup>4</sup> If the *cestui que trust* does not wish for a reconveyance, or if the case is one in which a trustee for sale (as an assignee in bankruptcy, for example), has himself been the purchaser, the course is that the expense of repairs and improvements shall be added to the purchase-money (after making an allowance for deterioration), and that the estate shall be put up at the accumulated sum; if any one makes an advance upon that sum, the trustees shall not have the estate; if no one does, he will be held to his purchase.<sup>5</sup> If an agent to purchase attempts to make an illegal profit, the principal has a right to take the estate at what it cost the agent.<sup>6</sup>

The question has sometimes arisen whether, when property has been obtained by violation of fiduciary relations or some other fraud, the remedy of the injured party is simply rescission or account, or whether he is entitled to compel the wrongdoer to pay the true value of the article. Instances of this point sometimes occur when directors of a corporation take shares of stock at less than par, and the question then is, whether the directors

<sup>1</sup> The injured party is entitled to file a bill in equity. He is not to be relegated to a common-law action for damages. *Bancroft v. Bancroft*, 110 Cal. 374.

<sup>2</sup> *Fox v. Mackreth*, 3 Cox, 320; *Hall v. Hallet*, 1 Id. 134; *Ex parte Reynolds*, 5 Ves. 707.

<sup>3</sup> *Lasarus's Lessee v. Bryson*, 3 Binn. 54, 58; *Jackson v. Walsh*, 14 Johns. R. 407, 415; *Hawley v. Cramer*, 4 Cow. 719; *Robbins v. Bates*, 4 Cush. 104; *Hoffman v.*

*The Cumberland Coal Co.*, 16 Md. 456.

<sup>4</sup> *Popham v. Exham*, 10 Ir. Ch. 440; notes to *Fox v. Mackreth*, 1 Lead. Cas. Eq. 235, 257 (4th Am. ed.).

<sup>5</sup> *Ex parte Hughes*, 6 Ves. 624; *Ex parte Lacey*, Id. 630; *Ex parte Bennett*, 10 Ves. 400; *Marshall v. Carson*, 38 N. J. Eq. 250; American note to *Fox v. Mackreth*, 1 Lead. Cas. Eq. 257 (4th Am. ed.).

<sup>6</sup> *Tyrell v. Bank of London* (*supra*).

can be made to pay par. In England the rule is, that the director can only be compelled to return the stock, or, if he has sold at a profit, to account for that profit.<sup>1</sup> But a different view has been taken by the Supreme Court of the United States.<sup>2</sup>

It was remarked in a former part of this treatise, that trustees could not, without leave of the court, buy at their own sales.<sup>3</sup> The same remark is applicable to all parties whose duty requires them to sell for the benefit of another. They cannot sell to themselves. It is repugnant to common honesty and justice that the same party should be both vendor and purchaser. If he attempts so to act, it is a fraud.<sup>4</sup>

Before leaving this subject it may be observed that benefits obtained by undue influence cannot be held by third parties although they may be innocent of the fraud. When a gift is made under such circumstances, "let the hand receiving it be ever so chaste, yet if it comes through a polluted channel, the obligation of restitution will follow it."<sup>5</sup> Of course, where the property comes into the hands of a *bona fide* purchaser for value and without notice of the fraud, the rule is different.

<sup>1</sup> See Currie's Case, 3 De G., J. & Sm. 367; Carling's Case, 1 Ch. D. 115; De Ruvigne's Case, 5 Id. 306; Anderson's Case, 7 Id. 94. See, also, Foreman v. Bigelow, 18 N. B. Reg. 457; Pearson's Case, 5 Ch. D. 336; and Archer's Case [1892], 1 Ch. 322.

<sup>2</sup> Hawley v. Upton, 102 U. S. 314. See, also, Upton v. Tribilcock, 91 Id. 45; Chupp v. Upton, 95 Id. 666; Pullman v. Upton, 96 Id. 328; Hatch v. Dana, 101 Id. 205; Flinn v. Bagley, 7 Fed. Rep. 785, where the cases are reviewed.

<sup>3</sup> *Ante*, §§ 94 and 143. See, also,

Frank's Appeal, 59 Pa. 195; Campbell v. McLain, 51 Id. 200; Ogden v. Larrabee, 57 Ill. 389; Colgate v. Colgate, 32 N. J. Eq. 362; Hindman v. O'Connor, 54 Ark. 627.

<sup>4</sup> See Norris v. Tayloe, 49 Ill. 18; Greenwood v. Spring, 54 Barb. 375; North Baltimore Build. Assoc. v. Caldwell, 25 Md. 423; Carter v. Thompson, 41 Ala. 375; Harris v. Parker, Id. 604.

<sup>5</sup> *Per* Chief Justice Wilmot in Bridgman v. Green, Wilm. 58, 64; s. c. 2 Ves. Sr. 627.

## SECTION IV

## FRAUD AFFECTING THIRD PARTIES; GENERAL RULES AS TO FRAUD.

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| <p>240. Subdivisions of frauds of this class; fraud upon creditors.</p> <p>241. Statute 13 Elizabeth, c. 5.</p> <p>242. Jurisdiction of equity in cases under the statute.</p> <p>243. Conveyance must be for a good consideration, and <i>bona fide</i>.</p> <p>244. Moral obligations; consideration of marriage.</p> <p>245. Voluntary transfers; conveyances by persons indebted.</p> <p>246. Conveyances of property which could not be reached by execution.</p> <p>247. Gifts from husband to wife.</p> <p>248. Parties by whom fraudulent conveyances may be avoided.</p> <p>249. Secret agreements touching composition deeds.</p> <p>250. Fraud upon subsequent purchasers. Statute 27 Eliz., c. 4.</p> <p>251. Difference between the English and American rules.</p> <p>252. Statutes not applicable to personal chattels.</p> | <p>253. Fraud on marital rights; <i>Strathmore v. Bowes</i>.</p> <p>254. Ignorance of the husband as to the existence of property immaterial.</p> <p>255. Circumstances which constitute fraud on marital rights.</p> <p>256. Fraud on powers; <i>Aleyn v. Belchier</i>.</p> <p>257. Appointment must be made solely to carry out the purpose of the power; <i>Topham v. The Duke of Portland</i>.</p> <p>258. Admissibility of parol evidence to vary or contradict written instruments in cases of fraud; <i>Woodlam v. Hearn</i>; <i>Gillespie v. Moon</i>.</p> <p>259. How the right to impeach a fraudulent transaction may be lost; confirmation; release; acquiescence.</p> <p>260. Delay; <i>bona fide</i> purchasers for value.</p> |
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**240. Subdivisions of frauds of this class; fraud upon creditors.**

The last class of frauds embraces those which do not operate to deceive either of the immediate parties to the transaction, but which affect injuriously the interests of third persons.

Frauds of this class may be divided, as respects the injured parties, into (1) Frauds upon creditors; (2) Frauds upon purchasers; (3) Frauds upon marital rights; and (4) Frauds upon powers.

The first of these subdivisions of fraud arises in this way:—An almost universal incident to property, when possessed absolutely by a person *sui juris*, is the power of alienation. Subject to some few restrictions—such as those imposed (in Eng-



land) by the Statutes of Mortmain, and the like—a man may sell, exchange, or give away his lands and goods when and to whom he pleases.

If, however, a man is in the position of a debtor, this absolute right of alienation is qualified and restrained by the principle that the power of disposition is not to be exercised for the purpose of defrauding his creditors, or defeating their lawful right to subject his estate to the satisfaction of their claims. Hence, almost all systems of jurisprudence discountenance alienations which are fraudulent as to creditors, and provide means whereby this species of wrong may be redressed.

#### 241. Statute 13 Elizabeth, c. 5.

Conveyances in fraud of creditors were, it seems, voidable at common law.<sup>1</sup> However, whether it was that this was originally considered a doubtful question, or whether the frequency and variety of these fraudulent alienations were so great that it was deemed proper to affirm the common law by positive legislation; certain it is, that from very early times statutes were passed for the purpose of protecting the rights of creditors against such covinous practices.

Thus, as early as the reign of Edward III., a statute was passed which recited that divers persons had given their tenements and chattels to their friends by collusion, and had afterwards fled to the franchise at Westminster or other privileged places, and had lived a "great time with a high countenance of another man's goods," and then went on to enact that if it were found that the said gifts were actually made by collusion, the said creditors should have execution of the said tenements and chattels as if no such gifts had been made.<sup>2</sup>

The most celebrated of these statutes is that of 13 Eliz., c. 5.<sup>3</sup>

This act, after reciting that "feoffments, gifts, grants, alienations, conveyances, bonds, suits, judgments, and executions have been contrived of malice, fraud, covin, collusion, etc., to delay,

<sup>1</sup> See notes to *Twyne's Case*, 1 Sm. Lead. Cas. 33; *Cadogan v. Kennett*, 2 Cowp. 432; *Clements v. Moore*, 6 Wall. 299, 312; *Clark v. Douglass*, 62 Pa. 408. See *Davis v. Schwartz*, 155 U.S. 631.

<sup>2</sup> 50 Edw. III., v. 6; note to *Twyne's Case*, 1 Sm. Lead. Cas. 33.

See, also, Stats. of 3 Hen. VII., c. 4; 2 R. II., c. 3; *Heath v. Page*, 63 Pa. 121.

<sup>3</sup> The Statute of 27 Eliz., c. 4, was (as is well known) passed to protect the rights of subsequent purchasers. See *post*, § 250.

hinder, or defraud creditors or others of their just and lawful actions, suits, debts, accounts, damages," etc., proceeds to enact that every feoffment, etc., of land, tenements, hereditaments, goods and chattels, or any of them, by writing or otherwise, and all and every bond, suit, judgment, and execution, made for any intent and purpose before declared and expressed, shall be, as against that person, his heirs, successors, executors, etc., whose actions, suits, etc., are or might be in any wise disturbed, hindered, delayed, or defrauded, utterly void.<sup>1</sup>

#### 242. Jurisdiction of equity in cases under the statute.

Equity has concurrent jurisdiction with law over frauds under these statutes; and the same rules of construction are adopted in both courts.<sup>2</sup> Where property, which is legally liable to be taken in execution, has been fraudulently conveyed or encumbered, the jurisdiction is concurrent, as the creditor may either issue an execution at law, or file a bill in equity to have the conveyance set aside.<sup>3</sup> Where, however, the property is such that it was never subject to execution at law, the only remedy is in chancery.<sup>4</sup>

#### 243. Conveyance must be for a good consideration, and *bona fide*.

Two general questions arise, under the statute of Elizabeth;

<sup>1</sup> This statute has been substantially re-enacted and its provisions adopted in most of the United States. 2 Kent's Com. 440.

<sup>2</sup> Note to *Sexton v. Wheaton*, 1 Am. Lead. Cas. 53, 59; *Hopkirk v. Randolph*, 2 Brock. 133; *Little v. Ragan*, 83 Ky. 321.

<sup>3</sup> 1 Am. Lead. Cas. 49. See *Orr v. Peters*, 197 Pa. 614; *Swift v. Arents*, 4 Cal. 390; *Blenkinsopp v. Blenkinsopp*, 1 De G., M. & G. 500; *Sheafe v. Sheafe*, 40 N. H. 516; *Lillard v. McGee*, 4 Bibb, 166; *Scott v. The Indianapolis Wagon Works*, 68 Ind. 75; *Cook v. Johnson*, 12 N. J. Eq. 51; *Hendricks v. Robinson*, 2 Johns. Ch. 283; *Athey v. Knotts*, 6 B. Mon. 24, where a court of equity afforded relief by following the money which had been expended by an insolvent

in improvements upon the property of another. See, also, *Barto's Appeal*, 55 Pa. 386; *People's Nat. Bank of Pittsburg v. Loeffert*, 184 Id. 172; *New South Building & Loan Assn. v. Reed*, 96 Va. 345; *National Valley Bank v. Hancock*, 100 Id. 101; *Vandervort v. Fouse*, 52 W. Va. 214.

<sup>4</sup> *Botsford v. Beers*, 11 Conn. 370; *Weed v. Pierce*, 9 Cow. 722; *Fletcher v. Tuttle*, 97 Me. 491; 1 Am. Lead. Cas. 59; *post*, Part III., Chap. VI. A court of equity has jurisdiction to set aside a transfer from husband to wife on the ground of fraud on creditors—the remedy at law not being adequate. *Skilton v. Tiffin*, 6 How. 163; *Pratt v. Carter*, 6 N. B. R. 139; *Massey v. Allen*, 7 Id. 401; *Spackelford v. Collin*, 6 Bush, 149; *Lee v. Hollister*, 5 Fed. Rep. 756.

first, *what* conveyances are voidable; and, second, as against *whom* are they voidable.

And, in the first place, it is the fraudulent *intent* which invalidates the conveyance.<sup>1</sup> A transfer may be made for a valuable consideration—nay, the consideration may be a full and adequate one; but yet if it is affected with a fraudulent *intent* it will, nevertheless, be void.<sup>2</sup>

This fraudulent intent may be either express<sup>3</sup> or implied; and the implication of fraud may arise in various ways, as (for instance) by the creditor showing that the grantor was indebted to the extent of insolvency, or even that he was largely indebted at the time of making the conveyance;<sup>4</sup> or where

<sup>1</sup> *Werner v. Zierfuss*, 162 Pa. 360. In this connection, the general rule that a man is presumed to intend the necessary consequences of his acts, is to be remembered. Whatever, therefore, the motive may be, if the result is to hinder creditors, the conveyance will be presumed to have been made with a fraudulent intent. *McKeown v. Allen*, 37 Fla. 400; *Andrews v. Par-tee*, 79 Miss. 80; *Bank v. Trebein Co.*, 59 Ohio, 316; *Robinson v. McKenna*, 21 R. I. 117. As to *subsequent* creditors, however, the fraudulent intent must be affirmatively proved. It will not be presumed. *Barkworth v. Palmer*, 118 Mich. 50; *Cole v. Brown*, 114 Mich. 396; *Bouquet v. Heyman*, 50 N. J. Eq. 114. A conveyance of property by husband to wife, duly recorded, and not made with intent to defraud subsequent creditors, could not be complained of by them, irrespective of intent as to existing creditors. *Aldous v. Olverson*, 17 S. D. 190. And if the conveyance cannot possibly injure creditors of a certain class, *e. g.*, those having prior liens which are not affected by the conveyance, no fraudulent intent as to them can be presumed. *Fidler v. John*, 178 Pa. 112.

<sup>2</sup> *Twyne's Case*, 3 Coke, 212; 1 Sm. Lead. Cas. 33; *Holmes v. Penny*, 3 K.

& J. 99; *Chandler v. Von Roeder*, 24 How. 224; *Zerbe v. Miller*, 16 Pa. 497; *Gragg v. Martin*, 12 Allen, 498; *Root v. Reynolds*, 32 Vt. 139; *Pulliam v. Newberry*, 41 Ala. 168; *Florence Sewing Machine Co. v. Ziegler*, 58 Id. 221; *Rogers v. Evans*, 3 Ind. 574; *Gable v. Columbus Cigar Co.*, 140 Ind. 563; *Poague v. Boyce*, 6 J. J. Marsh. 70; *Trotter v. Watson*, 6 Humph. 509; *Clark v. Harper*, 215 Ill. 24; *Salemson v. Thompson*, 13 N. D. 182; *Mosely v. Gainer*, 10 Tex. 393; *Haymaker's Appeal*, 53 Pa. 306; *Goodale v. Wheeler*, 41 Oreg. 190; *Bump on Fraud. Convey.* 197; *Kerr on Fraud and Mistake*, 200; (*Bump's ed.*) *Beasley v. Bray*, 98 N. C. 266. The intent must be *legal* not *moral*. *Logan v. Logan*, 22 Fla. 561. Though there be full consideration and no fraudulent intent, yet if a secret trust be reserved the transaction is constructively fraudulent. *Beidler v. Crane*, 135 Ill. 92. See, in this connection, *Carr v. Briggs*, 156 Mass. 78.

<sup>3</sup> *Spirett v. Willows*, 3 De G., J. & Sm. 393.

<sup>4</sup> *Taylor v. Jones*, 2 Atk. 600; *Crossley v. Elworthy*, L. R. 12 Eq. 158; *Cornish v. Clark*, 14 Id. 184. See, also, *Freeman v. Pope*, L. R. 5 Ch. 538; *Smith v. Cherrill*, L. R. 4 Eq. 390, 396; note to *Ellison v. Elli-*

one conveys all his property in consideration of future support.<sup>1</sup>

The most usual evidence of a fraudulent intent is found in the absence of consideration. Hence it has been laid down as a rule that a voluntary alienation of property is, in general, void as against creditors.<sup>2</sup> This rule corresponds with the proviso in the statute of Elizabeth. The statute declares that all conveyances made with an intent to hinder, delay, and defraud creditors, shall be void as against the parties intended to be injured. It then goes on, in a subsequent section, to provide that this rule shall not apply to *bona fide* transfers for a good consideration. Two requisites, therefore, are necessary to the validity of a transfer; first it must be made in good faith; and, secondly, it must be for good consideration.<sup>3</sup> The consideration will not avail if *bona fides* be wanting.<sup>4</sup> The good faith will not save the conveyance if it be made without consideration. The term *good* consideration has been construed to mean a valuable consideration. A *good* consideration, in one sense of the term, embraces not only those which are founded on value, but those also which are founded on the duties, and obligations, and feelings of relationship, and are therefore termed *meritorious*, as contradistinguished from valuable. A good consideration, however, as used in the statute, means one founded on value. A transfer to a wife or child, however meritorious it may be, is not valid as against creditors;<sup>5</sup> but the inchoate interest of a wife in the lands of her husband constitutes (it has been held) a valuable consideration for a conveyance by him of other property.<sup>6</sup>

son, 1 Lead. Cas. Eq. 284 (4th Eng. ed.).

<sup>1</sup> Mallow v. Walker, 115 Ia. 238. See, also, Spear v. Spear, 97 Me. 498; Michigan Trust Co. v. Comstock, 130 Mich. 572.

<sup>2</sup> See notes to Sexton v. Wheaton, 1 Am. Lead. Cas. 37; 2 Kent's Com. 441.

<sup>3</sup> Clements v. Moore, 6 Wall. 312; Hiller v. Jones, 66 Miss. 636. The grantee must act without notice of the intent. Weber v. Rothchild, 15 Oreg. 385; Aultman & Co. v. Weir, 34 Ill. App. 615; Beasley v. Bray, 98 N. C. 266. See Van Raalte v. Harrington, 101 Mo. 602, and the criticism of

that case in Bank v. Tobacco Co., 155 Mo. 602, and Vickers v. Buck, 60 Kan. 598.

<sup>4</sup> Brittain v. Lohr, 12 U. S. App. 148; Ogg v. Schultz, 61 Neb. 221.

<sup>5</sup> Bump on Fraudulent Conveyances, 248; *In re* Cameron & Wells, 37 Ch. D. 32. The rule is otherwise as to children of the wife by a former marriage. Newstead v. Searles, 9 App. Cas. 320, n. See Att.-Gen. v. Jacobs Smith [1895] 2 Q. B. 341. As to presumption in such cases, see Miller v. Gillispie, 54 W. Va. 450; Helm v. Brewster, 42 Colo. 25.

<sup>6</sup> Baldwin v. Heil, 155 Ind. 682.

**244. Moral obligations ; consideration of marriage.**

The consideration, however, although it must be valuable, need not be founded on a *present legal obligation*. It is enough if there is a present *moral* obligation, founded on an antecedent legal obligation. Thus, if A. be indebted to B., but the indebtedness is barred by the Statute of Limitations, it is not obligatory upon A. to plead the statute. He may, if he sees fit, pay the debt, or transfer property in satisfaction thereof, and the payment or transfer will be good as against his creditors. Upon the same principle a man may pay a debt from which he has been released by the operation of the bankrupt law, and the property so applied cannot be followed by creditors.<sup>1</sup>

Moreover, it is entirely well settled, both in England and America, that at common law and independently of any statutory provisions, such as bankrupt or insolvent laws, a debtor in failing circumstances has a right to prefer certain creditors. If, as must be conceded, he has a right to *pay* one creditor in preference to another, even where he is aware of his inability to pay all in full, there is no just reason why, in making provision for all, by way of assignment, he may not make special provision for some.<sup>2</sup> But an intent that the debtor, by such preference, shall make a secret trust for himself, will render the preference a fraud.<sup>3</sup>

A transfer in consideration of marriage is a transfer for a valuable consideration; and if a settlement is made after marriage, in pursuance of an ante-nuptial agreement, it will be upheld if the agreement is valid and binding.<sup>4</sup> But a settlement made in pursuance of an ante-nuptial *parol* agreement will not, by reason of the Statute of Frauds, be valid.<sup>5</sup>

**245. Voluntary transfers ; conveyances by persons indebted.**

A transfer of property which is purely voluntary may, under

<sup>1</sup> Bump on Fraud. Con. 249, 250.

<sup>2</sup> Huntley v. Kingman, 152 U. S. 527, and see p. 532 *et seq.*, where the doctrine is stated and the authorities are reviewed by Mr. Justice Brown.

<sup>3</sup> Waples-Platter Co. v. Low, 10 U. S. App. 704; Rubber Mfg. Co. v. Supply Co., 149 Mo. 538; Ellis v. Musselman, 61 Neb. 262.

<sup>4</sup> Kirk v. Clark, Prec. in Ch. 275;

Snell's Eq. 68. See Reade v. Livingston, 3 Johns. Ch. 489, and Bank v. Read, 131 Mo. 553. Whether it is necessary that some particular marriage should be in contemplation, see Sterry v. Arden, 1 Johns. Ch. 261.

<sup>5</sup> Warden v. Jones, 2 De G. & J. 76; Manning v. Riley, 52 N. J. Eq. 39; Flory v. Houck, 186 Pa. 267; Barnes v. Black, 193 Id. 450; Hill on Trus-

certain circumstances, be sustained. Any one may make a gift, the value of which bears but an insignificant proportion to his estate. If his remaining property is ample to discharge his debts the transaction cannot be impeached.<sup>1</sup>

A difference of opinion, however, has existed upon this point, and the question becomes much more complicated if debts are subsequently contracted by the voluntary grantor. The true rule seems to be that the gift will be valid if the "donor has, at the time, the pecuniary ability to withdraw the amount of the donation from his estate without the least hazard to his creditors, or in any material degree lessening their prospects for payment."<sup>2</sup>

But a fraudulent intent will vitiate a settlement, and may be *implied* from many circumstances. Thus, if the settlor is largely indebted at the time of making the settlement,<sup>3</sup> or insolvent,<sup>4</sup> or unable to pay his debts after making it,<sup>5</sup> or puts everything into the settlement, and thus renders himself insolvent,<sup>6</sup> the settlement cannot stand.<sup>7</sup>

A voluntary conveyance will be good as against *subsequent* creditors, unless it is made with the fraudulent intent of defeating their claims.<sup>8</sup> Whether such a fraudulent intent does or does not exist is a question of fact, which is to be determined by evidence. The mere circumstance that the alienation is voluntary is not, of itself, a sufficient indication of fraud.<sup>9</sup> The

tees, 89, and notes (4th Am. ed.). See, however, *In re Holland* [1902], 2 Ch. 360, 376.

<sup>1</sup> *Hopkirk v. Randolph*, 2 Brock. 132; 2 Kent's Com. 411, notes; *Wood v. Potts*, 140 Ala. 425. Under § 2156 of Code of Alabama a voluntary conveyance is void as to existing creditors of the grantor whatever may have been his financial circumstances or his intent in making the conveyance.

<sup>2</sup> See *Jenkyn v. Vaughan*, 3 Drew. 425; *Kent v. Riley*, L. R. 14 Eq. 190; *Snell's Eq.* 64; *Bump on Fraud. Convey.* 291.

<sup>3</sup> *Thompson v. Webster*, 4 Drew. 628; 4 De G. & J. 600; 7 Jur. (N. S.) (House of Lords) 531.

<sup>4</sup> *Lehman et al. v. Gunn et al.*, 124 Ala. 213.

<sup>5</sup> *Freeman v. Pope*, L. R. 5 Ch. 538, 541.

<sup>6</sup> *Smith v. Cherrill*, L. R. 4 Eq. 390, 396.

<sup>7</sup> Notes to *Ellison v. Ellison*, 1 Lead. Cas. Eq. 285.

<sup>8</sup> *Bouquet v. Heyman*, 50 N. J. Eq. 114; *Williams v. Kemper*, 99 Minn. 301; *Donoghue v. Shull*, 85 Miss. 404; *Ayers v. Wolcott*, 66 Neb. 712.

<sup>9</sup> *Sexton v. Wheaton*, 8 Wheat. 229; *Mattingly v. Nye*, 8 Wall. 370; *Townsend v. Westacott*, 2 Beav. 340; *Salmon v. Bennett*, 1 Conn. 525; *Jackson v. Town*, 4 Cow. 599; 4 Kent's Com. 442; 1 Am. Lead. Cas. 37, 40. A voluntary conveyance is not void as to future creditors unless there is some evidence to indicate that the grantor intended to withdraw his property from such

donor must not, however, be insolvent, or be about to embark in a hazardous business.<sup>1</sup> Nor would the mere fact that the settlor retains enough to pay his existing debts, and actually pays them, be sufficient to render the settlement valid, if the settlement were really made with the intent to evade the statute.<sup>2</sup> If the settlement is actually fraudulent, it is bad as against *subsequent*, as well as against existing, creditors.<sup>3</sup>

It is not, however, a fraud upon creditors for a person engaged in business to form a corporation or limited liability company, of which the capital may be composed of the assets in the business, and of which the shares may be held almost entirely by one man, provided, of course, no statutory provisions are violated and all the statutory requirements are observed. These companies have been sometimes styled "one man companies," which is, said Lord Macnaughten, in *Salomon v. Salomon*, "a taking nickname, but does not help one much in the way of argument." For a person thus in good faith to take advantage of the limited-liability statutes is not a fraud; for it is the very policy of such laws that this should be done.<sup>4</sup>

creditors. *Best v. Smith*, 193 Pa. 89. The mere existence of present indebtedness is not sufficient to warrant the inference that the conveyance was designed to defraud future creditors. *Snyder v. Christ*, 39 Pa. 499; *Harlan v. Maglaughlin*, 90 Id. 297; *Buckley v. Duff*, 114 Id. 596; *McCullough v. Willey*, 192 Id. 176; *Gentry v. Lanneau*, 54 S. C. 514. See, also, *Todd v. Nelson*, 109 N. Y. 316.

<sup>1</sup> To render the conveyance fraudulent the grantor must actually enter into the hazardous business; for if it is merely an intention not carried out, the conveyance cannot be considered void. *Williams v. Davis*, 69 Pa. 21. An alienation to allow him to commit a tort with impunity is void against one who afterwards recovers a judgment for the tort. *Boid v. Dean*, 48 N. J. Eq. 193.

<sup>2</sup> *Holmes v. Penney*, 3 K. & J. 90; 1 Am. Lead. Cas. 40. See, also, *Thomson v. Dougherty*, 12 S. & R.

448; *Snyder v. Christ*, 39 Pa. 506; *Ammon's Appeal*, 63 Id. 284; *Monroe v. Smith*, 79 Id. 459; *Lillard v. McGee*, 4 Bibb, 166.

<sup>3</sup> *Marshall v. Roll*, 139 Pa. 399; *Jones v. Light*, 86 Me. 437; *McFaddin v. McFaddin*, 134 Ala. 337.

Where a conveyance is made by an insolvent debtor if a near relationship exists between the grantor and grantee more vigilant and jealous scrutiny will be excited and clearer and more convincing proof will be required than when the transaction is between strangers. *Clark v. Harper*, 215 Ill. 24.

<sup>4</sup> *Salomon v. Salomon* [1897], A. C. 22-53; *In re Baglan Hall Colliery Co.*, L. R. 5 Ch. 346; *Kingman v. Mowry*, 182 Ill. 256; *Shumaker v. Davidson*, 116 Ia. 569, and *Spaulding v. Steel*, 126 Mich. 253. See *Bank v. Trebein Co.*, 59 Ohio, 316, where the circumstances were held to make the formation of a corporation a fraud; also, *Goodale v. Wheeler*, 41 Ore. 190.

### 246. Conveyances of property which could not be reached by execution.

It was decided in England that a voluntary transfer of property, which could not be reached by execution, was not fraudulent as against creditors; and although the decisions upon this point have been conflicting, the doctrine must be considered in England to be well established.<sup>1</sup> Nevertheless, it was there held that while *choses in action* did not fall under the statute of Elizabeth, and therefore creditors could not be said to be prejudiced by their assignment, inasmuch as they were not liable to execution, yet in cases falling under the Insolvent Debtors' Acts the rule was different, because under these acts all the debtor's property became applicable to the payment of his debts.<sup>2</sup> And *choses in action*, since 1 and 2 Vict., c. 100, have become available for the payment of debts, and are therefore within the statute.<sup>3</sup> In the United States the tendency is to consider the language of the statute as comprehending all kinds of personal property, including *choses in action*; <sup>4</sup> and, moreover, there are, in many states, legislative enactments whereby *choses in action* may be reached by execution.<sup>5</sup>

The English doctrine, therefore, can scarcely be said to exist throughout the United States.<sup>6</sup> Besides, in many of the states, property of an equitable character and property conveyed in fraud of creditors, may be reached by a *creditors' bill*; a remedy which may be considered as having originated in the case of *Spader v. Davis*,<sup>7</sup> in the year 1821, and which has been very extensively employed since that time. These bills will be noticed in their proper place under the head of Equitable Remedies.<sup>8</sup>

### 247. Gifts from husband to wife.

The extent to which a man has the power to make a voluntary disposition of his property is frequently called into question in the cases of settlements made by a husband upon his wife. There are many decisions to the effect that a gift from a husband to a wife, to be sustained even as against *subsequent*

<sup>1</sup> Story's Eq. Jurisp. § 361; 2 Kent's Com. 442.

<sup>2</sup> See *Norcutt v. Dodd*, 1 Cr. & Ph. 100.

<sup>3</sup> *Stokoe v. Cowan*, 29 Beav. 637.

<sup>4</sup> *Elliott's Ex'rs' Appeal*, 50 Pa. 82; *Bayard v. Hoffman*, 4 Johns. Ch. 450.

<sup>5</sup> See 4 Kent's Com. 443.

<sup>6</sup> See, however, *Sims v. Phillips*, 54 Ark. 193; *Shawano Co. Bank v. Koeppen*, 78 Wis. 533; *Taylor v. Duesterberg*, 109 Ind. 165.

<sup>7</sup> 2 Johns. Ch. 280. See 4 Kent's Com. 443.

<sup>8</sup> See *post*, Part III., Chap. VI.



creditors, must be *reasonable*—that is, it must bear a just and fair proportion to the actual amount of his property, and to his condition and prospects in life.<sup>1</sup> A man cannot denude himself of all or a greater part of his means for the purpose of making a gift to his wife. To allow him to do so would be to open a wide door to fraud, for by putting his property in his wife's name, he might practically secure the means of support for himself, and at the same time obtain for his property a complete immunity from his liabilities. What the amount of this reasonable provision should be, seems to be a matter of some little doubt. It may be possible that the doctrine itself, as to the reasonableness of the provision, would apply only to those cases in which a common-law conveyance between husband and wife is attempted to be used, and not where a gift is made through a deed operating under the Statute of Uses. A gift directly from a husband to a wife is void at law. It is sustained in equity through the medium of a trust—a chancellor regarding the conveyance as a declaration of trust, and treating the husband as a trustee. But a court of equity will only lend its assistance to a married woman, under such circumstances, when the transaction operates as a *reasonable* provision for her; and the aid of the chancellor, being a matter of grace, will not be extended for the purpose of giving *all* a man's property to his wife, to the detriment of his creditors. But a conveyance to a wife through the medium of a third party—as if A. and his wife conveyed to B., who then re-conveys to A.'s wife—is good at law, and needs no equitable interposition to support it. It would seem, therefore, that, apart from actual fraud, such a method of settling property upon the wife ought to stand upon the same footing as gifts to a stranger.

#### 248. Parties by whom fraudulent conveyances may be avoided.

It must be remembered that conveyances in fraud of cred-

<sup>1</sup> Notes to *Sexton v. Wheaton*, 1 Am. Lead. Cas. 57. See, also, *Spirett v. Willows*, 34 L. J. Ch. 365; *Wickes v. Clark*, 8 Paige Ch. 151; *Benedict v. Montgomery*, 7 W. & S. 238; *Coates v. Gerlach*, 44 Pa. 43; *Mullen v. Wilson*, Id. 413; *Ammon's Appeal*, 63 Id. 284; *Thompson v. Thompson*, 82 Id. 378; *Stickney v.*

*Borman*, 2 Id. 67; *Penna. Salt Co. v. Neel*, 54 Id. 9; *Morris v. Zeigler*, 71 Id. 450; *Mellon v. Mulvey*, 23 N. J. Eq. 198; *Trustees v. Bryson*, 34 S. C. 401; *Adams v. Edgerton*, 48 Ark. 419; *Hawkins v. Wills*, 4 U. S. App. 274; *Seckel v. Winch*, 108 Iowa, 102; *Welch v. Mann*, 193 Mo. 304.

itors are void only as against those who may be injured thereby.<sup>1</sup> The statute avoids conveyances made to defraud "creditors and others," and it was, therefore, said in *Twyne's case*, that "the act doth not extend only to *creditors*, but to all who had cause of action, suit, penalty, forfeiture, etc." Hence, it has been held that a person entitled to a penalty under the Usury Acts, was within the class of persons who were designed to be protected by the statute of Elizabeth;<sup>2</sup> and so, also, is a wife suing for divorce and alimony;<sup>3</sup> but not where she is suing for divorce alone,<sup>4</sup> or a wife who is a creditor.<sup>5</sup> But the term "others" does not include every one. The conveyance may be perfectly good as against the party executing it, and as against every other person consenting or privy to it.<sup>6</sup> The fraudulent grantor himself cannot elect to set the conveyance aside, nor enforce a secret trust for his own benefit. His lips are closed. This, indeed, is in obedience to the general principle that where the parties to a fraudulent contract have fully executed it themselves, courts of justice will not interfere to unravel their doings; but, considering them *in pari delicto*, will leave them bound as they found them. And the application of this principle to the case of conveyances in fraud of creditors is unquestionable.<sup>7</sup> The principle, indeed, is

<sup>1</sup> Notes to *Sexton v. Wheaton*, 1 Am. Lead. Cas. 45. See, particularly, *Chapin v. Pease*, 10 Conn. 69; *Burtch v. Elliott*, 3 Ind. 99; *Bouslough v. Bouslough*, 68 Pa. 495. See, also, as to the further proposition that proceedings to avoid a fraudulent transfer will enure to the benefit only of those who institute them, not to the advantage of other creditors, *Fowler's Appeal*, 87 Pa. 455-456; *Shulze's Appeal*, 1 Id. 251; *Tomb's Appeal*, 9 Id. 61. The fraudulent grantee is treated as a trustee, and must answer for the property. *Mason v. Pierron*, 69 Wis. 585.

<sup>2</sup> *Heath v. Page*, 63 Pa. 108 (see this case also for a general discussion of the effect of the statute); *Shontz v. Brown*, 27 Id. 131.

<sup>3</sup> *Byrnes v. Vols*, 53 Minn. 110; *Rivera v. White*, 94 Tex. 538, and *McFaddin v. McFaddin*, 134 Ala. 337.

<sup>4</sup> *Holland v. Holland*, 121 Mich. 109.

<sup>5</sup> *Houseman v. Grossman*, 177 Pa. 453. And see *Newton v. Newton*, 162 Mo. 173.

<sup>6</sup> *Robinson v. Macdonnell*, 2 B. & A. 134; *Steel v. Brown*, 1 Taunt. 381; *Bessey v. Windham*, 6 A. & E. (N. S.) 166; *Barrow v. Barrow*, 108 Ind. 345.

<sup>7</sup> *Blystone v. Blystone*, 51 Pa. 374; *Bonesteel v. Sullivan*, 104 Id. 9; *Williams v. Clink*, 90 Mich. 297; *Massi v. Lavine*, 139 Mich. 140; *Lewis v. McGrath*, 191 Ill. 401; *Bank v. Adrian*, 116 N. Car. 537-543; *Flannery v. Coleman*, 112 Ga. 648; *Poling v. Williams*, 55 W. Va. 69; *Brady v. Huber*, 197 Ill. 291; *Pride v. Andrew*, 51 Ohio St. 404; *Farrar v. Bernheim*, 41 U. S. App. 172; *Kirby v. Raynes*, 138 Ala. 194; *Cochonour v. Rateliff*, 223 Ill. 274; *Jones v. Jones*, 20 S. D. 632. As the representative of cred-

one of common law, which makes that which is fraudulent, in fact, void; but whose maxim in all cases of confederate fraud is, "*in pari delicto melior est conditio defendentis.*"<sup>1</sup> Nor will equity interfere on behalf of a volunteer, claiming under the grantor.<sup>2</sup>

In England it was decided that if a debtor made a fraudulent conveyance of his land, and then died, the only persons who had a standing in court to set the conveyance aside were lien creditors. Ordinary bond or simple contract creditors, whose claims had not been reduced to judgment, could not attack the transaction. But in America fraudulent dispositions of property by a debtor during his lifetime can be impeached after his death by any of his creditors. This is on the ground that property of all kinds in this country is deemed assets for the payment of debts.<sup>3</sup>

#### 249. Secret agreements touching composition deeds.

Another class of cases of fraud upon creditors, is where secret advantages are obtained by some creditors, at the expense of others, who are induced to sign composition deeds, of which the supposed basis is equality. Such secret agreements are manifestly fraudulent, and cannot stand the test of the investigation

itors, a trustee in bankruptcy, like a trustee in insolvency, may avoid conveyances and assignments which, though valid against the bankrupt, are fraudulent as against his creditors. *Bunnell v. Bronson*, 78 Conn. 679. Plaintiff believed himself about to be wrongfully sued for damages. To discharge such a suit he, after bringing action to divide the land in which he was interested, ordered the commissioner to make a deed without consideration to another. Subsequently, plaintiff informed the grantee in the deed of what had been done, and the grantee agreed to hold the land and to convey to plaintiff on his request. Held that the court would not aid plaintiff in compelling a reconveyance. *Carson v. Beliles*, 121 Ky. 294.

<sup>1</sup> But a party may sometimes be able to call an associate in an illegal transaction to account for the profits

which have been made. *Brooks v. Martin*, 2 Wall. 78; *Sharp v. Taylor*, 2 Phil. Ch. 801 (*ante*, § 42); *McBlair v. Gibbes*, 17 How. 232; *Tenant v. Elliot*, 1 Bos. & P. 3; *Farmer v. Russell*, Id. 296; *Thomson v. Thomson*, 7 Ves. 473. In those cases, also, in which the debtor has been induced by threats or improper influence of the grantee to execute the fraudulent conveyance, he may come into equity to have it set aside, for in such a case he is not *in pari delicto*. See *Cook v. Coyler's Adm'r*, 2 B. Mon. 72; *Deatly v. Murphy*, 3 A. K. Marsh. 474; *Harper v. Harper*, 85 Ky. 160; *Brant v. Brant*, 115 Iowa, 701; *Stockwell v. Stockwell*, 72 N. H. 69.

<sup>2</sup> See *Dolphin v. Aylward*, L. R. 4 H. L. 486. An assignee for the benefit of creditors is not a purchaser for value. *Spackman v. Ott*, 65 Pa. 135.

<sup>3</sup> *Story's Eq. Jurisp.* §§ 375, 376.

of a Court of Chancery;<sup>1</sup> or, in modern times, of a court of law.<sup>2</sup> But where nothing is gained at the *expense of other creditors* and no injury is done to *them*, an independent advantage secured by one creditor has been sustained.<sup>3</sup>

**250. Fraud upon subsequent purchasers; Statute 27 Eliz., c. 4.**

Akin to the subject of fraud which affects creditors, is that of fraud against subsequent purchasers. The Statute of 27 Eliz., c. 4, made perpetual by Statute 39 Eliz., c. 18, § 31, enacts that every conveyance, grant, charge, lease, limitation of use of, in or out of any lands, tenements, or other hereditaments whatsoever, for the intent and purpose to defraud and deceive such persons as shall purchase the said lands, shall be deemed, only against such persons who shall so purchase for money or any good consideration the said lands, to be wholly void, frustrate and of none effect.<sup>4</sup>

Even before the act purchasers were not without remedy in such cases in a court of equity; but the statute has rendered their rights precise, and their remedy more extended.<sup>5</sup>

**251. Difference between the English and American rules.**

There is an important difference between the English and American construction of this statute. In England it is held that a voluntary conveyance is void as against a subsequent purchaser, even although he may have notice of the same—the theory being that as the voluntary conveyance is rendered void by the statute, no subsequent purchaser is bound to regard it.<sup>6</sup> In the United States, however, the rule is different; and a

<sup>1</sup> *Jackman v. Mitchell*, 13 Ves. 581; *Wood v. Barker*, L. R. 1 Eq. 139; *Smith v. Stone*, 4 G. & J. 310; *Doughty v. Savage*, 28 Conn. 46; *Case v. Gerrish*, 15 Pick. 49; *Lawrence v. Clark*, 36 N. Y. 158; *Hanover Nat. Bank v. Blake*, 142 Id. 404; *Loucheim Brothers' Appeal*, 67 Pa. 49; *Patterson v. Boehm*, 4 Id. 507; *Mann v. Darlington*, 15 Id. 310; *Kerr on Fraud and Mistake*, 215 (Bump's ed.). See *In re McHenry*; *McDermott v. Boyd* [1894], 3 Ch. 365, where the agreement was sustained.

<sup>2</sup> *Kerr on Fraud and Mistake*, 215.

<sup>3</sup> *Lobdell v. State Bank of Nauvoo*, 180 Ill. 56.

<sup>4</sup> See notes to *Ellison v. Ellison*, 1 Lead. Cas. Eq. 283 (4th Eng. ed.).

<sup>5</sup> *Kerr on Fraud and Mistake*, 227; *Perry-Herrick v. Attwood*, 2 De G. & J. 21; *Brocklesby v. Temperance Perm. Building Soc.* [1895], A. C. 173; *Lloyds Bank, Limited, v. Bullock* [1896], 2 Ch. 198. See *Davis v. Bigler*, 62 Pa. 247.

<sup>6</sup> *Doe v. James*, 16 East, 212; *Buckle v. Mitchell*, 18 Ves. 111. See,

purchaser who has notice of a prior voluntary grant will take subject to the rights of the voluntary grantee.<sup>1</sup> But the rule upon this subject is not uniform throughout the United States.<sup>2</sup>

It is essential to the operation of the statute that both conveyances should be made by the same person. An heir or devisee cannot, by a conveyance for value, defeat a voluntary settlement made by his ancestor or testator; and if the voluntary grantee has conveyed for value, his alienee can hold as against a subsequent purchaser from the original grantor.<sup>3</sup>

A mortgagee is a purchaser within the statute.<sup>4</sup> It need hardly be added, that as between the parties to the transaction the voluntary conveyance will be good.

### 252. Statute not applicable to personal chattels.

The Statute of 27 Elizabeth, c. 4, does not apply to personal chattels; but as it is in affirmance of the common law, it would seem that its principles ought to be applied, with the modifications rendered necessary by the difference in the subject-matters, to the transfers of personal property.<sup>5</sup> The possession of chattels generally follows the title; indeed, a change of possession is, in general, necessary in order to render the sale valid as against the creditors of the vendor;<sup>6</sup> while delivery is essential to a valid gift. A man, therefore, can rarely be deceived as to the rights of the donee of a chattel; while he may very well be misled as to the rights of a voluntary alienee of real estate. Hence, the donee of personal property ought not, generally, to be disturbed in his possession by a subsequent

also, *Cathcart v. Robinson*, 5 Pet. 265, 279; *Hill v. The Bishop of Exeter*, 2 Taunt. 69; notes to *Sexton v. Wheaton*, 1 Am. Lead. Cas. 50, 51; notes to *Ellison v. Ellison*, 1 Lead. Cas. Eq. 283 (4th Eng. ed.). But this rule is not regarded with satisfaction in England, and, therefore, any consideration, no matter how small or inadequate, will be sufficient to support the first settlement. *Bayspool v. Collins*, L. R. 6 Ch. 232, 238.

<sup>1</sup> *Lancaster v. Dolan*, 1 Rawle, 231; *Dougherty v. Jack*, 5 Watts, 456; *Mayor v. Williams*, 6 Md. 242; 1 Am. Lead. Cas. 51; *Keeling v. Hoyt*, 31 Neb. 453.

<sup>2</sup> See *Sterry v. Arden*, 1 Johns. Ch. 261, and 1 Am. Lead. Cas. 51.

<sup>3</sup> *Kerr on Fraud and Mistake*, 229.

<sup>4</sup> *Lancaster v. Dolan*, 1 Rawle, 231; *Lewis v. Love's Heirs*, 2 B. Mon. 345; *Ledyard v. Butler*, 9 Paige Ch. 132; *Clapp v. Leatherbee*, 18 Pick. 131.

<sup>5</sup> *Hudnal v. Wilder*, 4 McCord, 294; though see *Jones v. Croucher*, 1 Sim. & S. 315; *Bohn v. Headley*, 7 Har. & Johns. 257; *Sewall v. Glidden*, 1 Judges (Ala.), 52, 61; 1 Am. Lead. Cas. 53.

<sup>6</sup> *Twyne's Case*, 1 Sm. Lead. Cas. 33.

purchaser, because it is the latter's own folly to buy that of which another has the possession. When, however, the donee or even the vendee of chattels suffers them to remain in the possession of the former owner, and the latter sells them again to a *bona fide* purchaser without notice, the title of such purchaser cannot be impeached.<sup>1</sup>

### 253. Fraud on marital rights; *Strathmore v. Bowes*.

The next species of fraud upon third parties which demands attention, is that which is known as fraud upon marital rights, whereby the expectation by a man of an interest in the property of his intended wife is defeated.

The leading authority upon this subject is *Strathmore v. Bowes*,<sup>2</sup> in which the opinion of Lord Thurlow contains a clear statement of the general doctrine, while the decision itself establishes an important qualification.

The doctrine in question may be stated to be that if a woman, during the course of a treaty of marriage, makes a voluntary<sup>3</sup> conveyance of any part of her property, without notice to her intended husband, such conveyance will be treated, in equity,<sup>4</sup> as fraudulent and void as against him, and will be set aside by a chancellor on the husband's application.<sup>5</sup>

The plainest case of fraud of this kind is, of course, that in which active deception takes place. If, during the treaty for marriage, a woman expressly holds herself out to her intended husband as entitled to property which will become hers upon marriage, and then makes a settlement without his knowledge, she is guilty of actual fraud, and the settlement cannot stand.<sup>6</sup>

<sup>1</sup> See notes to *Lickbarrow v. Mason*, 1 Smith's Lead. Cas. 1147.

<sup>2</sup> 1 Lead. Cas. Eq. 405. See, also, *Wilson v. Daniel*, 13 B. Mon. 351; *Cheshire v. Payne*, 16 Id. 618; *Duncan's Appeal*, 43 Pa. 67; *Robinson v. Buck*, 71 Id. 392; *Freeman v. Hartman*, 45 Ill. 57; *Perry on Trusts*, § 213; *Russell v. Sharp*, 192 Mo. 270.

<sup>3</sup> The rule will not apply to a conveyance for value. See *Blanchet v. Foster*, 2 Ves. Sr. 264.

<sup>4</sup> The conveyance cannot be treated as void at law. *Logan v. Simmons*, 1 Dev. & Bat. (Law) 13, 16; *Doe v. Lewis*, 11 C. B. 1035. At all events

it is not necessarily fraudulent. *Doe v. Lewis*, *supra*.

<sup>5</sup> See *Chambers v. Crabbe*, 34 Beav. 457; *Terry v. Hopkins*, 1 Hill Ch. 1; *Waller v. Armistead*, 2 Leigh, 11; *Manes v. Durant*, 2 Rich. Eq. 404; *McAfee v. Ferguson*, 9 B. Mon. 475; *Williams v. Carle*, 10 N. J. Eq. 543; *Duncan's Appeal*, 43 Pa. 67; *Linker v. Smith*, 4 Wash. C. C. 224; *Tucker v. Andrews*, 13 Me. 124; *Ferebee v. Pritchard*, 112 N. Car. 83.

<sup>6</sup> See *England v. Downs*, 2 Beav. 528; *Logan v. Simmons*, 3 Ired. Eq. 487. See, also, *Kline v. Kline*, 57 Pa. 120.

It is clear, also, that the same rule exists if there is a suppression of the truth, and merely a concealment of the settlement, although there may be no active representations that the property is to be subject to marital rights.<sup>1</sup>

**254. Ignorance of the husband as to the existence of property immaterial.**

A question, however, naturally arises here, upon which there has been some slight difference of opinion. Suppose the intended husband is entirely ignorant that the woman is possessed of property, and therefore marries her without any expectation that he will acquire any estate by her. In such a case he cannot be said to be disappointed if it turns out that there has been an ante-nuptial settlement, and can he, therefore, under these circumstances be heard to complain? This question, however, is now settled in favor of the husband. It is true that he is not deprived of anything which he expected to get, and no anticipations of his are therefore defeated; but, nevertheless, he is deprived of his legal rights, and placed in a position, in respect to his wife and her property, which he ought not to occupy, except with his full knowledge and consent.<sup>2</sup>

But the rule under consideration does not apply to property of the wife to which the marital rights would not have attached; as where; for example, the woman has a life estate to her separate use, to the exclusion of any future husband, with an absolute power of appointment by deed or will, and exercises the power before marriage, by the execution of a settlement on herself.<sup>3</sup>

**255. Circumstances which constitute fraud on marital rights.**

It was said above that a disposition of her property by a woman about to marry will be sustained if made for a valuable

<sup>1</sup> *England v. Downs*, 2 Beav. 528. See, however, *Thomas v. Williams*, Mos. 177; *De Manneville v. Crompton*, 1 V. & B. 354, where silence, under the circumstances, was held to be no fraud.

<sup>2</sup> *Goddard v. Snow*, 1 Russ. 485; *Taylor v. Pugh*, 1 Hare, 608; *Logan*

*v. Simmons*, 3 Ired. Eq. 487. Though see *St. George v. Wake*, 1 My. & K. 622. See, also, *Downes v. Jennings*, 32 Beav. 290; *Prideaux v. Lonsdale*, 1 De G., J. & Sm. 433; *Leary v. King*, 6 Del. Ch. 108.

<sup>3</sup> *Cole v. O'Neill*, 3 Md. Ch. 174.

consideration. The consideration, however, must be *valuable*; for the true rule seems to be (although the law is not, perhaps, free from doubt) that a settlement made upon a meritorious consideration—*e. g.*, for the benefit of the children of a former marriage—will not be good as against the husband.<sup>1</sup> The settlement to be fraudulent must be in view of a particular marriage, and it will be so only in respect of the intended husband, who was in treaty of marriage at the time of the settlement.<sup>2</sup>

A settlement by a woman will not be set aside if the intended husband has notice of it at any time—no matter how short the interval may be—before the marriage.<sup>3</sup> Nor does the circumstance that the husband is a minor at the time of the marriage make any difference. He will, if he consents to the arrangement, or has knowledge of it, be precluded from disputing it after he attains his majority.<sup>4</sup>

If the husband, after the marriage, acquiesces in and confirms the settlement, he cannot afterwards be heard to dispute it.<sup>5</sup>

A man may, by his conduct before marriage, deprive himself of his right to impeach a settlement made without his knowledge. Thus, where a woman was seduced by her intended husband before marriage, and afterwards made a disposition of the property of which he had no notice, it was, nevertheless, held that under the circumstances he was not entitled to have the settlement set aside.<sup>6</sup>

The rule which forbids a disposition of property by a woman, in contemplation of marriage, to the injury of the rights of her intended husband, has also been applied to the case of a man

<sup>1</sup> *Blanchet v. Foster*, 2 Ves. Sr. 264. Though see *Green v. Goodall*, 1 Cold. 404. But it is good against his creditors. *Newstead v. Searles*, 9 App. Cas. 320, n. See *Att.-Gen. v. Jacobs Smith* [1895], 2 Q. B. 341.

<sup>2</sup> *Strathmore v. Bowes*, *ante*, p. 394. See *De Mestre v. West* [1891], App. Cas. 264. If a conveyance is voluntary and without consideration and is made with the intention to defraud of her marital rights any person whom the grantor should marry, it makes no difference that he had not selected any particular person

as his wife, since the fraudulent intent need not be directed against a particular person. *Higgins v. Higgins*, 219 Ill. 146.

<sup>3</sup> *Terry v. Hopkins*, 1 Hill Ch. 1, 5; *Cheshire v. Payne*, 16 B. Mon. 618; *St. George v. Wake*, 1 My. & K. 610.

<sup>4</sup> *Slocombe v. Glubb*, 2 Bro. C. C. 545.

<sup>5</sup> *England v. Downs*, 2 Beav. 528; 1 Lead. Cas. Eq. 421. But see *Logan v. Simmons*, 3 Ired. Eq. 487; *Manes v. Durant*, 2 Rich. Eq. 404.

<sup>6</sup> *Taylor v. Pugh*, 1 Hare, 608.



conveying his property away in fraud of an intended wife;<sup>1</sup> and to a release of dower by her.<sup>2</sup>

A husband can file a bill during coverture to determine the question whether property conveyed by him to his wife, through the alleged fraud of the latter before marriage, is the wife's separate property or belongs to the husband and should be restored to him.<sup>3</sup>

### 256. Fraud on powers; *Aleyn v. Belchier*.

Another class of frauds upon third parties comprises those cases in which there is a fraudulent exercise of a power.

A power, in the sense it is here used, is an authority enabling

<sup>1</sup> *Smith v. Smith*, 2 Halst. Ch. 515; *Petty v. Petty*, 4 B. Mon. 215; *Simpson v. Simpson*, 94 Ky. 586; *Graham v. Graham*, 143 N. Y. 573; *Brooks v. McKeekin*, 37 S. Car. 285; *Spurlock v. Brown*, 91 Tenn. 241; *Hach v. Rollins*, 158 Mo. 182; *Brinkley v. Brinkley*, 128 N. C. 503; *Bookout v. Bookout*, 150 Ind. 63; *Ward v. Ward*, 63 Ohio, 125; *Rice v. Waddill*, 168 Mo. 99; *Daniher v. Daniher*, 201 Ill. 489. See, also, *Kline v. Kline*, 57 Pa. 120; *Campbell's Appeal*, 80 Id. 309; *Baird v. Stearne*, 15 Phil. 339; *Fisher v. Koons*, 110 Iowa, 498; *Collins v. Collins*, 98 Md. 473; *Goff v. Goff*, 60 W. Va. 9. A wife cannot complain where the husband held the land as a trustee for his sons. *Wilson v. Wilson*, 32 Utah, 169.

A man about to be married may dispose of his estate as he pleases, provided it is done with proper motives, and without intention to defraud his intended wife. Such a conveyance, whatever may be the circumstances, even though made the moment before marriage, is *prima facie* good, and becomes bad only upon the imputation of fraud. Although the settlement may be voluntary and not disclosed to the intended wife it is not, therefore, necessarily fraudulent. The courts will consider any facts which tend to

show that no fraud was intended. In the case in judgment there was no secrecy about the execution of the deed, and the evidence fails to disclose any fraudulent purpose on the part of the grantor. *Jenkins v. Rhodes*, 106 Va. 564.

A presumption of fraudulent intent to deprive the wife of her marital rights which she would otherwise acquire, arises from a secret conveyance by the husband just prior to the marriage, even though there was no actual misrepresentation, and the conveyance was to his children by a former marriage. *Wallace v. Wallace*, 137 Ia. 169.

<sup>2</sup> *Taylor v. Taylor*, 144 Ill. 436. See, also, *Smith v. Smith*, 22 Colo. 480; *Hummel's Appeal*, 161 Pa. 215; *Stroup v. Stroup*, 140 Ind. 179; *Barker v. Barker*, 126 Ala. 503; *Russell v. Russell*, 60 N. J. Eq. 282. Where the provision made for a wife in an ante-nuptial agreement is grossly disproportionate to the value of the husband's estate, fraudulent concealment will be presumed, and the burden of proof will be thrown on him, or those claiming under him after his death, to show that full disclosure had been made to the wife of the value of his estate. *Warner's Estate*, 210 Pa. 431.

<sup>3</sup> *Lombard v. Morse*, 155 Mass. 136.

a person, through the medium of the Statute of Uses, to dispose of an interest vested in himself or some third person. Thus, land may be conveyed to A. in trust for such uses as B. should appoint; or in trust for such person or persons generally as B. should appoint; or in trust for such members of a particular class—as children, grandchildren, or the like—as B. should appoint. This right of appointment in B. is called a power. The person who creates the power is the *donor*; the person by whom it is to be exercised is called the *donee of the power*, or, when he actually exercises it, the *appointor*; the person in whose favor the appointment is made is the *appointee*; and those for whose benefit the power was intended to be executed are termed the *objects* of the power.

Powers of this kind are of very frequent occurrence in English marriage settlements, being the ordinary machinery whereby marriage portions are raised, and the distribution of funds among children or other beneficiaries regulated.

It is a cardinal principle in the law of powers that “a person having a power must execute it *bona fide* for the end designed, otherwise it is corrupt and void.” This was the language of Lord Keeper Henley in *Aleyn v. Belchier*, which is the leading authority upon the subject.<sup>1</sup> If a power is not exercised in good faith, and for the purposes for which it was created, its exercise will be deemed fraudulent in equity, and will be set aside upon a bill filed by a party in interest.

A case in which a power is thus improperly exercised is said to be a case of “a fraud upon the power.”

The plainest case of a fraud upon a power is where the power is exercised for the personal advantage of the appointor. If a father has a power to appoint among children, and agrees with one of them, for a sum of money, to appoint to him, such appointment would be void. *Aleyn v. Belchier* and *Lane v. Page*<sup>2</sup> are instances in which powers to raise marriage portions have been improperly exercised for the purpose of paying the debts of the appointor, and the appointment has, in consequence, been set aside. The same rule applies to appointments made with a view to obtain the fund appointed through undue influence over the appointee,<sup>3</sup> or with an expectation of the appointee's

<sup>1</sup> 1 Lead. Cas. Eq. (4th Eng. ed.) 377.

<sup>2</sup> Ambler, 233.

<sup>3</sup> Marsden's Trust, 4 Drew. 601, *In re Kirwan's Trusts*, 25 Ch. D. 373.

death and succession to his estate;<sup>1</sup> or to any case in which the motive of the appointor is to acquire any benefit for himself, either directly or indirectly.<sup>2</sup>

Again the appointment will be considered fraudulent and invalid, if it is exercised for the benefit of a stranger, and not for the advantage of the objects of the power; and this will be so, although the appointee may be unaware of the fraudulent design of the appointor.<sup>3</sup>

**257. Appointment must be made solely to carry out the purpose of the power; *Topham v. The Duke of Portland*.**

A power will, also, be deemed to be improperly exercised if it is used for any purposes other than those for which it was created. The appointment must be made with an entire and single view to the real purpose and object of the power, and not for the purpose of accomplishing or carrying into effect any bye or sinister object—sinister in the sense of its being beyond the purpose and intent of the power. There must be a pure, straightforward, honest dedication of the property, as property, to the person to whom the appointor affects or attempts to give it.<sup>4</sup>

The circumstance that the donor of the power may acquiesce in, or even favor the fraudulent exercise of the power, will not

<sup>1</sup> *Wellesley v. Mornington*, 2 K. & J. 143. See *Lord Hinchinbroke v. Seymour*, 1 Bro. C. C. 395, where a father had a power of appointment, and thinking one of his children to be in consumption appointed in favor of that child, with a view of securing the fund as administrator of the child.

<sup>2</sup> *Duke of Portland v. Topham*, 11 H. L. Cas. 32.

<sup>3</sup> *Marsden's Trust*, 4 Drew. 601. But an appointment will not be set aside if the bargain did not induce the appointment. See *Cooper v. Cooper*, L. R. 5 Ch. 212. Children may contract with each other to give the parent who is the appointor some advantage. *Davis v. Uphill*, 1 Swanst. 130. See *Roach v. Trood*, 3 Ch. D. 429, which was distinguished from *Marsden's Trust* and *Topham v.*

*Duke of Portland* (*supra*); and also *Henty v. Wrey*, 21 Ch. D. 332, where the appointment was held *not* to be a fraud because there was nothing upon which to base any "judicial inference" that a fraud on the power was intended. It is to be noted, also, that in *Smith v. Somes* [1896], 1 Ch. 250, it was held that the mere fact that a release of a limited power of appointment will result in a benefit to the donee is not sufficient to render the release fraudulent, there being no *duty* in that case coupled with the power.

<sup>4</sup> *Topham v. Duke of Portland*, 31 Beav. 525; 1 De G., J. & Sm. 517; 11 H. L. Cas. 32; L. R. 5 Ch. 40. See, also, *Salmon v. Gibbs*, 3 De G. & Sm. 343, and *In re Perkins* [1893], 1 Ch. 283.

render such exercise valid, if the appointment is one calculated to defeat the purposes for which the power was created. The fraud for which a court of equity sets such an appointment aside is not a fraud upon the donor, but a *fraud upon the power*. If the purpose of the *power* is defeated, the consent of the donor cannot make the appointment good. *Lee v. Fernie*<sup>1</sup> and the Duke of Portland's case are illustrations of this doctrine. In the first case, an appointment for the benefit of a stranger was deemed invalid, although made in pursuance of an arrangement with the donor of the power. In the latter the invalid appointment was made in pursuance of the expressed wish (agreed to by his children) of the testator; and yet the appointment was held bad, because made, not with the view of carrying out the purpose of the power, but with the view of discountenancing a marriage of the duke's sister with a certain gentleman.

If, however, the donee of a discretionary power acts with *bona fides* and with his own good judgment and with an honest intention of carrying out the purpose of the power, the mere circumstance that he has given a promise to the donor to exercise the power in a certain way will not disqualify him. And evidence is admissible to show that the donee acted on his own judgment, and that *that* judgment coincided with his promise.<sup>2</sup>

An appointment bad in part will generally be invalid *in toto*. But a good appointment in favor of one child will not be invalidated by a fraudulent appointment to another, if the two can be separated.<sup>3</sup>

**258. Admissibility of parol evidence to vary or contradict written instruments in cases of fraud; *Woollam v. Hearn*; *Gillespie v. Moon*.**

Having examined the different heads of Fraud, it will be proper, before leaving the general subject, to notice briefly one or two rules which have been laid down by Courts of Chancery for the purpose of effectually securing the relief to which the injured party is entitled.

It is one of the rules of evidence at common law that parol testimony shall not be admitted for the purpose of varying, adding to, or taking away from the language of a written instru-

<sup>1</sup> 1 Beav. 483.

<sup>2</sup> *Williams's Appeal*, 73 Pa. 249.

See, also, *In re Turner's Settled Estates*, 28 Ch. D. 205.

<sup>3</sup> *Rowley v. Rowley*, Kay, 242.

ment; the reason for the rule being the obvious one that where an agreement has been reduced to writing by the act and consent of the parties, its terms should be sought for in the instrument which has been selected as the repository and evidence of the purpose of the contracting parties, and not on one side of it, in extrinsic facts or allegations.<sup>1</sup> It will also be remembered that the Statute of Frauds requires that the creation and transfer of certain estates in land shall be manifested and proved in writing; and that contracts of a certain kind shall not be enforced unless there exists some written memorandum of the same, signed by the party who is sought to be charged therewith. Now, it is manifest, that if the common-law rule of evidence above stated and the provisions of the Statute of Frauds were rigidly adhered to, without any exceptions whatever, great injustice would in many instances ensue, and that these legal rules would become simply the refuge and hiding-places of fraud.

It is, therefore, established in equity that no rule of law shall be used for the purpose of protecting fraud, and that while in general the rules of evidence are the same in equity as at law,<sup>2</sup> yet in cases of accident, mistake, and fraud, parol evidence is admissible for the purpose of making out the complainant's case, although the effect of the admission may be to alter, or add to, a written instrument, or to affect the title to real estate. This equitable rule arises from the necessity of the case, and in order that the jurisdiction of Courts of Chancery in such cases (particularly those of fraud) may be effectively asserted; for, as was said by Lord Thurlow, "the moment you impeach a deed for fraud, you must either deny the effect of fraud on a deed, or you cannot but be under the necessity of admitting parol evidence to prove it."<sup>3</sup> This doctrine has been followed by very many cases in England and the United States; although the decisions throughout the Union, upon the application of the doctrine, have not been altogether harmonious. In some states, as in New York,<sup>4</sup> and Pennsylvania,<sup>5</sup> the tendency has been to give very

<sup>1</sup> American note to *Woollam v. Hearn*, 2 Lead. Cas. Eq. 517.

<sup>2</sup> *Manning v. Lechmere*, 1 Atk. 453.

<sup>3</sup> *Shelburne v. Inchiquin*, 1 Bro. C. C. 338; *Hill on Trustees*, 166.

<sup>4</sup> *Gillespie v. Moon*, 2 Johns. Ch. 585; *Keisselbrack v. Livingston*, 4 Id. 144.

<sup>5</sup> *Thomson's Lessee v. White*, 1 Dallas, 447; *Christ v. Dittenbach*, 1 S. & R. 464; *Iddings v. Iddings*, 7 Id. 111; *Miller v. Henderson*, 10 Id. 290; *Clark v. Partridge*, 2 Pa. 13; *Rearich v. Swinehart*, 11 Id. 233; *Martin v. Berens*, 67 Id. 463; *Beegle v. Wentz*, 55 Id. 369; *Cook v. Cook*,

great latitude to the admission of parol evidence; in others such as Massachusetts, the inclination of the courts has been the other way.<sup>1</sup> The application of this doctrine is seen in those cases in which absolute deeds may be shown to be mortgages; in which specific performance is sought to be resisted or enforced; in which the reformation of written instruments is decreed; as well as in cases of fraud, accident, or mistake.<sup>2</sup>

It need scarcely be added that when parol evidence has been admitted for the purpose of raising a presumption of fraud, it is equally admissible on behalf of the defendant for the purpose of rebutting that presumption.

**259. How the right to impeach a fraudulent transaction may be lost; confirmation; release; acquiescence.**

The right to impeach a transaction on the ground of fraud may be lost by confirmation, by release, by acquiescence, or by delay; and such a right has no place as against a *bona fide* purchaser for a valuable consideration, without notice.<sup>3</sup>

In reference to confirmation and release, it need only be said that when such defences are relied on, it must clearly appear that the party confirming was fully apprised of his right to impeach the transaction; and that he acted freely, deliberately, and advisedly, with the intention of confirming a transaction

69 Id. 443; Wolford v. Herrington, 74 Id. 311; Lippincott v. Whitman, 83 Id. 244.

<sup>1</sup> Locke v. Whiting, 10 Pick. 279; Glass v. Hulbert, 102 Mass. 24. This subject will be found discussed at length in the American note to Woollam v. Hearn, 2 Lead. Cas. Eq. 670. See, also, Hill on Trustees, 166; 1 Sug. V. & P. 243 (8th Am. ed.), note by Perkins; and particularly Wharton on Evidence, §§ 1019 *et seq.*, where the authorities are collected. Among the numerous authorities cited by Dr. Wharton, the following may be particularly referred to: Rhodes v. Farmer, 17 How. 467; Brown v. Holyoke, 53 Me. 9; Buel v. Miller, 4 N. H. 196; Cutler v. Smith, 43 Vt. 577; Russell v. Bomy, 115 Mass. 300; Diman v. Providence R.

Co., 5 R. I. 130; Blakeman v. Blakeman, 39 Conn. 320; Pitcher v. Hennessey, 48 N. Y. 415; Wheeler v. Kirtland, 23 N. J. Eq. 13; Huss v. Morris, 63 Pa. 367; Wharton v. Douglass, 76 Id. 273; Kearney v. Sascier, 37 Md. 264; Fleming v. Mohale, 47 Ill. 282; Moore v. Munn, 69 Id. 591; Cain v. Hunt, 41 Ind. 466; Beers v. Beers, 22 Mich. 42; Van Dusen v. Parley, 40 Ia. 70; Lake v. Meacham, 13 Wis. 355; Guernsey v. Ins. Co., 17 Minn. 104; Exchange Bank v. Russell, 50 Mo. 531; Murray v. Dake, 46 Cal. 654. See, also, Rowand v. Finney, 96 Pa. 192.

<sup>2</sup> See *ante*, Part I., Chap. VII.; *post*, Part III., Chaps. I. and III.

<sup>3</sup> Kerr on Fraud and Mistake, Chap. I., § VI.

which he knew, or might, or ought, with reasonable or proper diligence, to have known to be impeachable.<sup>1</sup> If having elected to confirm under such circumstances, the injured party cannot rescind upon subsequent discovery of new incidents in the fraud.<sup>2</sup>

A transaction, originally voidable on the ground of fraud, may become unassailable in consequence of the acquiescence of the injured party in the state of affairs which has resulted from the fraudulent act. A man who has a right to avoid a contract cannot take the chance of its turning out advantageously to himself, and then, abiding the event, and finding that it has turned out to his disadvantage, elect to avoid it.<sup>3</sup> When a party desires to rescind on the ground of fraud or mistake, he must, upon the discovery of the facts, at once announce his intention, and adhere to it. He is not permitted to play fast and loose. Delay and vacillation are fatal to the right which had before subsisted. And this rule is peculiarly applicable to speculative property which is liable to large and constant fluctuations in value.<sup>4</sup> But an acquiescence which is the result of ignorance of material facts goes for nothing. The party must have knowledge of the facts, in order that acquiescence may be brought home to him.<sup>5</sup>

## 260. Delay ; *bona fide* purchasers for value.

A person who is injured by fraud must be prompt in seeking redress,<sup>6</sup> and he must prosecute his suit with diligence. Laches and neglect are always discountenanced. Nothing can call a Court of Chancery into activity but conscience, good faith, and

<sup>1</sup> Kerr on Fraud and Mistake, 296.

<sup>2</sup> Wilson v. Hundley, 96 Va. 96.

<sup>3</sup> Ormes v. Beadel, 2 De G., F. & J. 333. See Bank of Macon v. Bartlett, 71 Ga. 798; Kinne v. Webb, 12 U. S. App. 137; Howard v. Turner, 155 Pr. 349; Jutte v. Hutchinson, 189 Id. 221.

<sup>4</sup> Crymes v. Sanders, 93 U. S. 62; Thomas v. Bartow, 48 N. Y. 200; Lloyd v. Brewster, 4 Paige Ch. 537; Saratoga, etc., R. Co. v. Rowe, 24 Wend. 74; Diman v. Providence R. Co., 5 R. I. 130; Kinne v. Webb (Ct. App.), 54 Fed. Rep. 34; Ruohs v.

The Bank, 94 Tenn. 57-72; Stuart v. Hayden, 36 U. S. App. 462.

<sup>5</sup> Kerr on Fraud and Mistake, 298, 300; Presstman v. Mason, 68 Md. 78; Dickenson v. Farley, 84 Va. 240; Dringer v. Jewett, 43 N. J. Eq. 701; Short v. Mathis, 107 Ga. 807; Lamberton v. Youmans, 84 Minn. 109; Sherman v. Frasier, 112 Iowa, 236. See Shriver v. Garrison, 30 W. Va. 456.

<sup>6</sup> Johnston v. Standard Mining Co., 148 U. S. 360; Building Ass'n v. Blair, 98 Va. 490; Streicher v. Murray, 36 Mont. 45.

reasonable diligence, and where these are wanting, the court is passive and does nothing.<sup>1</sup> A court of equity does not encourage stale claims, and a party may lose his right to complain of a fraud by his delay.<sup>2</sup> There is, perhaps, no certain rule as to the length of time which will bar the right to relief in cases of fraud. What is a reasonable time must depend upon the discretion of the court, the exercise of which will be regulated by the circumstances of the particular case.<sup>3</sup> Thus, in *Michoud v. Girod*,<sup>4</sup> it was said that a court of equity would not refuse relief within the lifetime of either of the parties upon whom the fraud is proved, or within *thirty* years after it becomes known to the party whose rights are affected by it; and in *Gresley v. Mousley*<sup>5</sup> a transaction between solicitor and client was set aside two years after the death of the former, and eighteen years after that of the latter. On the other hand, cases have occurred in which the utmost promptness has been required.<sup>6</sup> Of these, instances may be found in those cases in which shareholders of companies have sought to repudiate their allotments and recover their money on the ground of misrepresentation, and in which the greatest vigilance and diligence have been exacted.<sup>7</sup>

In many cases courts of equity have taken the statutes of limitation as standards by which to measure the time properly allowable for the assertion of an equitable right. But this is by analogy only; and chancery tribunals will not hesitate to

<sup>1</sup> *Smith v. Clay*, Ambler, 645; *Sullivan v. Portland R. Co.*, 94 U. S. 806; *Brown v. County of Buena Vista*, 95 Id. 160; *Richards v. Mackall*, 124 Id. 187; *Wills v. Wood*, 28 Kan. 400; *Evans v. Duke*, 140 Cal. 22; *Wilkes v. Phillips*, 120 Ga. 728.

<sup>2</sup> See *ante*, p. 60, Maxim III. See, also, *Norris v. Haggin*, 136 U. S. 386; *Rath v. Vanderlyn*, 44 Mich. 597; *Dennis v. Jones*, 44 N. J. Eq. 513; *Inlow v. Christy*, 187 Pa. 191; *Bruner v. Finley*, Id. 402; *Derr's Estate*, 203 Id. 101 (citing the text); *Com. ex rel. v. Reading Trac. Co.*, 204 Id. 151, and *McQueen v. Burhans*, 77 Minn. 382; *Ripple v. Kuehne*, 100 Md. 672.

<sup>3</sup> *Ryder v. Emrick*, 104 Ill. 470; *Kerr on Fraud and Mistake*, 305; *Brown v. Norman*, 65 Miss. 369.

<sup>4</sup> 4 How. 561; *Coddington v. Pensacola & Georgia R. Co.*, 103 U. S. 409; *Johnson v. Somerville*, 33 N. J. Eq. 152, 621; *Farwell v. Gr. West. Tel. Co.*, 161 Ill. 522-596; *Inlow v. Christy*, 187 Pa. 190; *Mullen v. Walton*, 142 Ala. 166.

<sup>5</sup> 4 De G. & J. 78.

<sup>6</sup> *Hunt v. Blanton*, 89 Ind. 38.

<sup>7</sup> See *Heyman v. European Central Railway Co.*, L. R. 7 Eq. 154; *Denton v. MacNeil*, 2 Id. 352; *Taite's Case*, 3 Id. 795; *Whitehouse's Case*, Id. 794. See, also, *Reese River Mining Co. v. Smith*, L. R. 4 H. L. 64; *Ayerst v. Jenkins*, L. R. 16 Eq. 275; *Ashhurst's Appeal*, 60 Pa. 290; *Evans's Appeal*, 81 Id. 278; *Watts's Appeal*, 78 Id. 371.



apply their own doctrines, as to delay, whenever the circumstances of the case require it.<sup>1</sup>

It was stated above <sup>2</sup> that the right to set aside a transaction on the ground of fraud has no place as against a *bona fide* purchaser for a valuable consideration without notice. This is due, however, rather to the existence of certain distinct equities, which all, perhaps, grow out of fraud, but which seem to require a separate consideration. These are the equities of notice and of a *bona fide* purchaser for value; and they will be attempted to be explained in the succeeding chapter.

<sup>1</sup> See *Allore v. Jewell*, 94 U. S. 512; *Smith v. Clay, Ambler*, 645; *Wilson v. Anthony*, 19 Ark. 16; *Taylor v. Adams*, 14 Id. 62; *Johnson v. Johnson*, 5 Ala. 90; *Ferson v. Sanger*, 2 Ware, 256; *Fisher v. Boody*, 1 Curtis, 219; *Cholmondeley v. Clinton*, 2 Jac. & W. 141; *Sullivan v. Portland R. Co.*, 94 U. S. 811; *Bucking-*

*ham v. Ludlow*, 37 N. J. Eq. 138; *Bell v. Moore*, 79 Va. 341; *Church v. Winton*, 196 Pa. 107; *Kerr on Fraud and Mistake*, 304; *Hill on Trustees*, 168. See, however, *Gibbons v. Hoag*, 98 Ill. 45. See *Richardson v. Gregory*, 126 Id. 166.

<sup>2</sup> *Supra*, § 259.

## CHAPTER III.

## NOTICE.

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| <p>261. Doctrine of notice not applicable to contests between purely legal titles.</p> <p>262. Applicable to equitable titles; <i>Le Neve v. Le Neve</i>.</p> <p>263. Illustrations of the doctrine.</p> <p>264. Parties by whom want of notice may be set up. Rules on this subject.</p> <p>265. Extent of protection afforded by want of notice.</p> <p>266. English rule that payment of purchase-money and acquisition of legal title must both precede notice.</p> <p>267. Rule in United States; protection <i>pro tanto</i>.</p> <p>268. Notice actual and constructive; actual notice either direct or presumptive.</p> | <p>269. Constructive notice; Vice-Chancellor Wigram's division.</p> <p>270. Notice by registration.</p> <p>271. What registration will operate as notice.</p> <p>272. Effect of actual notice of unregistered conveyance.</p> <p>273. Constructive notice of same.</p> <p>274. <i>Lis Pendens</i>.</p> <p>275. Plea of <i>bona fide</i> purchaser for value.</p> <p>276. Can be used by the holder of an equitable title.</p> <p>277. Doctrine of seeing to the application of purchase-money.</p> <p>278. Abolished in England.</p> <p>279. Of little importance in the United States.</p> |
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**261. Doctrine of notice not applicable to contests between purely legal titles.**

IN a conflict between purely legal titles, the circumstance that one of the parties, at the time he acquired his rights, had any knowledge of the existence of the adverse claim, is a fact which is entirely immaterial, and is regarded as of no consequence whatever in determining the judgment of the court.

A valid title at law is good against every one; and may be enforced by an action at law, or by a bill in equity where the equitable jurisdiction is concurrent. Now, in such actions or bills, as has been stated, notice is not material; that is to say, if, when the plaintiff bought *his* title, he knew of the (alleged) valid legal title of the defendant, the plaintiff's position is rendered no worse by such knowledge; and if, on the other hand, he bought in ignorance of such title, his right is none the stronger

by reason of his ignorance.<sup>1</sup> And this is so, not only where the opposing parties claim under distinct hostile titles, but also where they claim under the same title. Thus, suppose A. buys land from B. under the impression that the latter is unmarried, and that after B.'s death a woman claiming to have been his wife files a bill for dower against A., the latter's ignorance of the marriage will be no defence, and his plea that he is a *bona fide* purchaser for value without notice would be overruled by a chancellor.<sup>2</sup> To this rule there are two notable exceptions: *First*, a purchaser without notice of a prior *voluntary* settlement may protect himself by such absence of notice; but if he buys *with* notice of the voluntary conveyance, he takes subject to it.<sup>3</sup> *Secondly*, a purchaser without notice of a prior unrecorded deed may protect himself; but *with* notice he cannot.<sup>4</sup> These, however, are exceptions; and the general rule at law is that each party stands or falls on his own strict right.<sup>5</sup>

To illustrate again: In a contest between a party who rests upon a paper title, and one who claims simply by virtue of adverse possession, each party bases his right of recovery, not upon an *equitable*, but upon a *legal* title; and it can make no possible difference that he who claims by virtue of an adverse possession had notice of the legal paper title, but, on the contrary, his notice thereof would be an element to show that the adverse possession was hostile in its character, and, therefore, capable, if continued for a sufficient time, of ripening into an unassailable title.

Still another illustration of the doctrine may be found in the rule, which exists in England and in some of the United States, upon the subject of voluntary conveyances. According to that rule, a subsequent grantee is entitled to avoid a prior voluntary conveyance, although he had notice of the same at or before the date of the conveyance to himself. Notice, under this view of

<sup>1</sup> *Exempli gratia*: ejectment by purchaser from heir, who claims against an alleged will of the ancestor against purchaser from the devisee.

<sup>2</sup> *Williams v. Lambe*, 3 Bro. C. C. 264; *post*, p. 413.

<sup>3</sup> In England the rule is the other way. *Buckle v. Mitchell*, 18 Ves. 111. *Cf. Cathcart v. Robinson*, 5 Pet. 279; *Lancaster v. Dolan*, 1 Rawle, 246.

But in the United States the rule is as stated in the text.

<sup>4</sup> *Le Neve v. Le Neve*, *post*, § 272.

<sup>5</sup> See the remarks of Mr. Justice Davis in *Gaines v. New Orleans*, 6 Wall. 716; and, also, *Ruckman v. Decker*, 23 N. J. Eq. 283; and the American note to *Basset v. Nosworthy*, 2 Lead. Cas. Eq. 46 (4th Am. ed.).

the law, cannot vary the question, for it is only notice of a conveyance which was void against a subsequent purchaser for a valuable consideration;<sup>1</sup> in other words, it is only notice of a defeasible legal title.<sup>2</sup>

**262. Applicable to equitable titles ; *Le Neve v. Le Neve*.**

So much for the rule as to legal titles and as to the remedies, whether legal or equitable, to enforce them. Where, however, equitable titles and rights are concerned, or where equitable remedies which are simply auxiliary to the legal remedy, or which give a different kind of relief from legal actions, are invoked, the rule, in chancery, is different. A man who acquires, even for valuable consideration, a legal title with the knowledge that it is affected by an equity, takes it subject to that equity; *a fortiori* is his acquisition so subject, if it is the purchase of a new equitable title. On the other hand, a purchaser may often defend himself against the assertion of an equitable right, on the ground that when he paid his money he did not know that any such right existed.

The principle in these cases has been well stated by a learned writer to be that an interest, which, if legal, would be indefeasible, shall not be defeated, by reason of its equitable character, by a party who has notice of it. If being legal it may be defeated at law, there is no equity to preserve it.<sup>3</sup>

In the leading case of *Le Neve v. Le Neve*<sup>4</sup> this doctrine is stated by Lord Chancellor Hardwicke in the following language: "A person who purchases an estate (although for valuable consideration) after notice of a prior equitable right makes himself

<sup>1</sup> *Per* Lord Ellenborough in *Doe v. James*, 16 East, 212; note to *Sexton v. Wheaton*, 1 Am. Lead. Cas. 46.

<sup>2</sup> It will be remembered, as stated in the text, that in the United States a subsequent purchaser for value cannot avoid a prior grant if he has notice of the same. But the ground upon which the courts in the United States have refused to follow the English rule is that the legal title acquired by the second purchaser is bad, because the second sale is a fraud on the part of the vendor, and if the second vendee has notice of the first conveyance, the purchase itself is an

act of collusion. See *Lancaster v. Dolan*, 1 Rawle, 246. See, also, the remarks of C. J. Kent at the close of his opinion in *Jackson v. Burgot*, 10 Johns. Ch. 462, and the decision in *Worsley v. De Mattos*, 1 Burr. 474, where the indorsee of a bill of lading was nonsuited in an action at law, because he had notice of a prior, but defective, transfer of the bill, which had been followed by delivery of the goods.

<sup>3</sup> *Adams's Equity*, 152.

<sup>4</sup> 3 Atk. 646; 2 Lead. Cas. Eq. 35. See *Jones v. Van Doren*, 130 U. S. 691.

a *mala fide* purchaser, and will not be enabled, by getting in the legal estate, to defeat such prior equitable interest."

"Fraud or *mala fides*," said the same learned judge, "is the true ground on which the court is governed in cases of notice."<sup>1</sup> The subject of Notice may, therefore, with propriety be discussed immediately after that of Fraud; although, from its importance, it seems proper to treat it as a distinct head of equity jurisprudence.

### 263. Illustrations of the doctrine.

In considering this subject, it may, in the first place, be desirable to define, as nearly as may be, what Notice is.

Notice, then, in its technical sense, is the legal cognizance of a fact. It differs from knowledge, for knowledge may exist without notice, and there may be notice without any actual knowledge. Thus a court, in the consideration of a cause, may be bound to take judicial notice of facts of which no actual proof whatever exists; and, on the other hand, a judge or a jury may be compelled to disregard known facts, because although proved to exist, they cannot be judicially recognized in the determination of the particular issue. So, also, there may be no technical *notice* of a right or title, although knowledge of the right or title may exist;<sup>2</sup> and again, there may be notice of another's right although there is no knowledge whatever that any such right is claimed.<sup>3</sup>

Notice, therefore, in the sense here used, may be said to be the definite legal cognizance, either actual or presumptive, of a right or title; and the doctrine of Notice in Equity may be described to be this, viz., that where such cognizance is shown to exist, either by proof as a fact or by presumption of law, the right or title, thus proved to be known, will be capable of assertion in equity as against a party who might otherwise and at law have disregarded it.

It is obvious that the cases in which this doctrine arises are numerous.

If a man holds a legal title to an estate, but his conscience is affected with a *trust* in favor of another, he may sell the estate, and the purchaser, if he buys *bona fide* and for value, and has

<sup>1</sup> See *Kettlewell v. Watson*, 21 Ch. D. 705.

<sup>2</sup> As, for example, where a deed is defectively acknowledged and the

record is relied upon as notice. See *infra*, § 271.

<sup>3</sup> As, for instance, the notice of a title under a recorded conveyance.

no notice of the trust, will take it discharged of the same, and the remedy of the *cestui que trust* will be against the trustee alone.<sup>1</sup>

But if the purchaser has notice of the trust, he will be bound in the same way as the original trustee; in other words, he will be construed to hold the legal title as a trustee for the equitable owner.<sup>2</sup>

The same rule will be enforced for the protection of prior equitable vendees—(i. e., vendees under agreements not consummated by a conveyance of the legal title)—holders of an equitable or of a defective mortgage—vendors who have parted with the legal title, but who still may have an equitable lien for unpaid purchase-money; purchasers under an unregistered conveyance,<sup>3</sup> and parties for whose benefit covenants have been entered into which affect the land, although they may not technically run with the land.<sup>4</sup>

Moreover, where a party has control of the legal title to property, be cannot be compelled to make or permit a transfer of it by one in whom it is vested in disregard of the interests of the equitable owners. The equitable title of such owners must be taken notice of.<sup>5</sup>

<sup>1</sup> *Basset v. Nosworthy*, 2 Lead. Cas. Eq. 1; *Perry on Trusts*, § 218.

<sup>2</sup> *Coble v. Nonemaker*, 78 Pa. 506; *Day v. Cohn*, 65 Cal. 508; *Hill on Trustees*, 164 (359, 4th Am. ed.), and notes; *Perry on Trusts*, § 217; *First Nat. Bank v. Leech*, 207 Ill. 215.

<sup>3</sup> Notes to *Le Neve v. Le Neve*, 2 Lead. Cas. Eq. 35.

<sup>4</sup> *Tulk v. Moxhay*, 2 Phil. 774; *Wilson v. Hart*, L. R. 1 Ch. 463; *Western v. MacDermott*, L. R. 2 Ch. 72; *Clegg v. Hands*, 44 Ch. D. 503. See, also, *Keates v. Lyon*, 4 Id. 218.

<sup>5</sup> Thus in *Lowry v. The Commercial and Farmers' Bank of Baltimore* decided by Chief Justice Taney in the Circuit Court of the United States for the Maryland District, it was ruled that where bank stock had been bequeathed to an executor in trust to pay the dividends to certain persons, and the executor had transferred it to one who made advances thereon for

the use of the executor, the bank which had issued the certificate, having notice that the stock belonged originally to the testator, was bound to look at the title of the executor under the will before it permitted the transfer. In this case the transfer was made by the executor as such, and there was no proof that there was any actual notice to the bank that the stock had been specially bequeathed, and that the executor was violating his trust by making the transfer. Yet it was held that the bank was bound to take notice of the will when the transfer was proposed by one of the executors; that it was negligence in the bank not to examine it, and that if it was ignorant of its contents, and of the specific bequest of the stock, it was its own fault; that it must be dealt with as if it had possessed actual knowledge that the stock in question was specifi-

On the other hand, want of notice will operate to protect one who buys from a trustee, or a subsequent vendee, or mortgagee who gets in the legal title, or a purchaser under a duly registered conveyance.

#### 264. Parties by whom want of notice may be set up. Rules on this subject.

It is important to determine, with some precision, *by whom* the defence of want of notice may be set up, and this is more particularly so as there was at one time a seeming conflict of authority upon the question whether such a defence can be taken advantage of by the holder of an equitable, as well as of a legal, title. The better opinion now seems to be that the apparently conflicting decisions upon this point may be reconciled under the views which have been expressed in certain English cases, and especially in *Phillips v. Phillips*,<sup>1</sup> where the subject was clearly explained. The rules which are now recognized are, in substance, these:—

*First.* The holder of a legal title may always set up the want of notice of an equity as a defence to its assertion; and as against him a Court of Chancery will grant no relief.<sup>2</sup> When the legal title is obtained at the time of the purchase nothing can be clearer than that the purchaser without notice is entitled to

cally bequeathed by the testator, and was not, by the will, to be transferred. *Lowry v. The Commercial and Farmers' Bank of Baltimore*, 3 Am. L. J. (N. S.) 111; *Bayard v. The Farmers' & Mechanics' Bank*, 52 Pa. 232. See *Albert v. The City of Baltimore*, 2 Md. 159; *Stockdale v. The South Sea Company*, Barnardiston's R. 363; *Harrison v. Harrison*, 2 Atk. 121; *Davis v. Bank of England*, 2 Bingh. 393; *Albert v. Savings Bank*, 1 Md. Ch. 407.

The fact that a trustee deposits a check payable to him as trustee in his personal account at a bank where he has no account as trustee gives the bank no reason to believe that the trustee is acting dishonestly, and if the trustee fails to account for the proceeds of the check the beneficiary has no remedy against the

bank. *Batchelder v. Bank*, 188 Mass. 25.

Where a deed of trust gives to the trustee the power to "sell and convey in fee simple the whole or any part of the trust estate—provided, however, that the principal of the estate shall not become impaired or encumbered" the trustee has no power to pledge a mortgage belonging to the estate as security for a loan; and if he does so and embezzles the proceeds, the pledgee of the mortgage will be compelled to reassign it to the trust estate. *Kenworthy v. Levi*, 214 Pa. 235.

<sup>1</sup> 4 De G., F. & J. 208. See the remarks on this case in *Cave v. Cave*, 15 Ch. D. 646.

<sup>2</sup> *Fidelity Mutual Life Ins. Co. v. Clark*, 203 U. S. 64.

priority in equity as well as at law, according to the maxim that where equities are equal the law will prevail.<sup>1</sup> It is also equally well settled that where the purchaser without notice does not acquire the legal title at the time of his purchase, but subsequently gets it, he is entitled to avail himself of it as a defence to an equity, provided he does not, by that act, become a party to a breach of trust;<sup>2</sup> because, as the equities of both parties are equal, there is no reason why the purchaser should be deprived of the advantage he may obtain at law by superior activity and diligence.<sup>3</sup> This is the common doctrine of the *tabula in naufragio*.<sup>4</sup> The same rule is likewise applied not only to cases in which the subsequent purchaser actually gets in the legal title, but also to those in which he has a superior right to call for it. Thus, where there are two encumbrances on an estate of which the legal title is outstanding in a third party, and the holder of the outstanding legal title declares himself a trustee for the second encumbrance, such a declaration (unless circumstances occurred to alter the rule) would operate to give the second priority over the first.<sup>5</sup>

*Second.* The holder of an equitable title may avail himself of want of notice as a defence, and he may do this even when the plaintiff is the holder of the legal title who is seeking the benefit of an auxiliary equitable remedy. For example, in *Basset v. Nosworthy*,<sup>6</sup> which is the leading authority upon the subject,

<sup>1</sup> *Ante*, p. 62. See *Pilcher v. Rawline*, L. R. 7 Ch. 259; *Snell's Eq.* 20.

<sup>2</sup> *Saunders v. Dehew*, 2 Vern. 271; *Harpham v. Shacklock*, 19 Ch. D. 207. See *Central Trust Co. v. West India Imp. Co.*, 169 N. Y. 314, which seems to establish an exception.

<sup>3</sup> *Snell's Eq.* 20.

<sup>4</sup> *Phillips v. Phillips*, 4 De G., F. & J. 218; *Blackwood v. London Chartered Bank of Australia*, L. R. 5 P. C. 111; *Bates v. Johnson*, Johns. 314; *Taylor v. Russell* [1891], 1 Ch. 27. See, also, *Fitzsimmons v. Ogden*, 7 Cranch, 2, 18; *Zollman v. Moore*, 21 Gratt. 313; *Campbell v. Brackenridge*, 8 Blackf. 471; *Gibbler v. Trimble*, 14 Ohio, 423; *Osborn v. Carr*, 12 Conn. 195, 208; *Carroll v. Johnston*, 2 Jon. Eq. 120; *Baggary v. Gaither*,

*Id.* 80; *Leach v. Ansbacher*, 55 Pa. 85; *Carlisle v. Jumper*, 81 Ky. 282.

<sup>5</sup> *Wilmot v. Pike*, 5 Hare, 14; *Snell's Equity*, 21; *Ex parte Knott*, 11 Ves. 609.

<sup>6</sup> 2 Lead. Cas. Eq. 1. This doctrine is recognized in *Bellas v. McCarty*, 10 Watts, 13, and *Rhines v. Baird*, 41 Pa. 265, where the ruling in *Chew v. Barnet*, 11 S. & R. 389; *Reed v. Dickey*, 2 Watts, 459, and *Kramer v. Arthurs*, 7 Pa. 165, was disapproved. A similar conclusion was reached in *Union Canal Co. v. Young*, 1 Whart. 431. See, also, *Wood v. Mann*, 2 Sumn. 316. In other cases, however, a different rule has been laid down. See *Snelgrove v. Snelgrove*, 4 Dess. 274; *Jones v. Zolligcoffer*, 2 Taylor, 214; *Blake v. Hey-*



an heir-at-law claiming under the legal title filed a bill against a purchaser from a devisee to compel discovery of a revocation of the will. The defendant pleaded a purchase for value without notice and the plea was allowed. The same principle was recognized by Lord Eldon in *Wallwyn v. Lee*,<sup>1</sup> and by Lord St. Leonards in *Joyce v. De Moleyns*,<sup>2</sup> and must now be considered as well established in equity jurisprudence in England.<sup>3</sup>

But to this doctrine there is one exception, viz., that where the bill is filed simply to enforce a legal right through an equitable remedy, a plea of purchase for value will be overruled. This distinction was established in the case of *Williams v. Lambe*,<sup>4</sup> where a widow filed a bill against a purchaser from her husband, claiming dower. The defendant pleaded a purchase without notice of the vendor being married; but the plea was overruled by Lord Thurlow. This case and that of *Collins v. Archer*<sup>5</sup> were supposed to be at variance with the decisions in *Wallwyn v. Lee* and *Joyce v. De Moleyns*, referred to above; but it was subsequently pointed out in *Phillips v. Phillips*<sup>6</sup> that Lord Thurlow's ruling was not, when properly considered, a contradiction of the rule that the holder of an equitable title may set up the want of notice as a defence, but that the rule itself was never applicable to cases in which Courts of Chancery afford legal relief concurrently with courts of law. The same doctrine had, indeed, been explained by the Master of the Rolls, Sir John Romilly, in *Finch v. Shaw*,<sup>7</sup> where the distinction was said to be this: If the suit be for the enforcement of a legal claim, then, although the court may have jurisdiction, it will not interfere as against a purchaser for value without notice, but will leave the parties to law; if, on the other hand, the legal title is perfectly clear, and attached to that legal title there is an equitable remedy which can only be enforced in chancery, there is no case in which the court will refuse to enforce the equitable remedy which is incidental to the legal title. The bill for discovery in *Basset v. Nosworthy* and the bill for dower in *Williams v. Lambe* are illustrations of these two classes of cases. In the former the

ward, 1 Bailey's Eq. 208; *Larowe v. Beam*, 10 Ohio, 448. See, also, *Boone v. Chiles*, 10 Pet. 177; *Sumner v. Waugh*, 56 Ill. 531; *California Fruit Ass'n v. Stelling*, 141 Cal. 719.

<sup>1</sup> 9 Ves. 24.

<sup>2</sup> 2 J. & L. 374.

<sup>3</sup> *Phillips v. Phillips*, 4 De G., F. & J. 218.

<sup>4</sup> 3 Bro. C. C. 264.

<sup>5</sup> 1 Russ. & My. 284.

<sup>6</sup> 4 De G., F. & J. 208.

<sup>7</sup> 19 Beav. 500; affirmed in 5 H. L. Cas. 905, *nom. Colyer v. Finch*.

plea of purchase for value was good as against the discovery, the jurisdiction of the court being auxiliary; in the latter it was not good as against the relief, the jurisdiction being concurrent.<sup>1</sup>

*Third.* Where the legal estate is neither in the plaintiff nor defendant, and neither has a right to call it in, but it is outstanding in a third party, encumbrancers will take in order of time, and the defence of a purchase for value cannot be made.<sup>2</sup> But the equities must be equal, otherwise the rule *qui prior est tempore potior est jure* will not prevail.<sup>3</sup>

### 265. Extent of protection afforded by want of notice.

One who has notice of a prior equity may resist its enforcement under cover of want of notice in his immediate vendor.<sup>4</sup> Thus, if A. were the holder of an estate which was subject to a secret trust, which was known to C., and A. were to convey the estate to B., an innocent purchaser who had no notice, and B. should afterwards sell to C., the latter could protect himself against the claims of A.'s *cestui que trust*, by setting up the want of notice in B., his immediate vendor. The reason of this rule is obvious. It is designed not for the benefit of C., but for that of B. For it might be possible that after the sale to B. something would occur which would put all the world upon notice of the trust, and no one could thereafter take the estate unaffected with notice. The estate, therefore, would be locked up in B.'s hands, and rendered unsalable, because he could never find a purchaser who was free from notice.<sup>5</sup> To protect B., therefore, the rule has been laid down as above set forth.<sup>6</sup> If, however, in the case

<sup>1</sup> Phillips v. Phillips, *supra*.

<sup>2</sup> Phillips v. Phillips *supra*; Ford v. White, 16 Beav. 120; Downer v. The Bank, 39 Vt. 25.

<sup>3</sup> Rice v. Rice, 2 Drew. 73; Farrand v. Yorkshire Banking Company, 40 Ch. D. 188; Lloyds Bank, Limited, v. Bullock [1896], 2 Ch. 197; Judson v. Corcoran, 17 How. 612.

<sup>4</sup> Bracken v. Miller, 4 W. & S. 102; Church v. Church, 25 Pa. 278; Fletcher v. Peck, 6 Cranch, 87; Dana v. Newhall, 13 Mass. 498; Rutgers v. Kingsland, 7 N. J. Eq. 178, 658; Halstead v. The Bank of Kentucky, 4 J. J. Marsh. 554; Mitchell v. Aten, 37 Kan. 33; Moore v. Allen, 26 Colo. 197;

English v. Lindley, 194 Ill. 181; Nickerson v. Mass. Title Ins. Co., 178 Mass. 308; note to Basset v. Nosworthy, 2 Lead. Cas. Eq. 33 (4th Am. ed.).

<sup>5</sup> "It is a well-settled rule of this court that a man who is a purchaser with notice himself from a person who bought without notice, may protect himself under the first purchaser. The reason is to prevent a stagnation of property, and because the first purchaser, being entitled to hold and enjoy, must be equally entitled to sell." Bumpus v. Platner, 1 Johns. Ch. 213, by Chancellor Kent.

<sup>6</sup> See Lowther v. Carlton, 2 Atk.

above put, B. should sell again to A., or the estate should afterwards by *mesne* conveyances come into A.'s hands, the trust would re-attach; the reason of this being that it would be a gross outrage to allow the man who had originally perpetrated the wrong to reap the benefit of it, while, at the same time, it would be no hardship upon B., for only one customer (A.) would thus be removed from the market.<sup>1</sup>

A person who has no notice will not be affected by notice on the part of his immediate vendor. Whenever the chain of conveyances reaches an innocent purchaser for value, who takes the legal title, the doctrine of notice no longer applies.<sup>2</sup>

**266. English rule that payment of purchase-money and acquisition of legal title must both precede notice.**

Important questions in the doctrine of notice grow out of the consideration of the *time* when the notice is given.

It is clear that notice ought to bind if, at the time it is given, or presumed to be given, the purchaser has neither acquired the legal title nor parted with his money. It is equally clear that notice after conveyance and payment of the consideration is too late. What then is the rule in the two intermediate cases which sometimes occur, viz., *first*, where a vendee gets the legal title, but notice comes to him before he pays the purchase-money; and, *second*, where he pays the purchase-money in ignorance of the prior equity, but is affected with knowledge of the same before obtaining his deed?

In England the rule is that, in order to protect a purchaser, the transaction must be complete in both particulars before notice; that is to say, the vendee must actually have received his conveyance and paid his money. If he has done only one of these, his right will be inferior to the right of the holder of the prior equity. He must, to be protected, hold the legal title, and have paid the full amount of the purchase-money.<sup>3</sup>

242; *Harrison v. Forth*, Prec. Ch. 15; *Fletcher v. Peek*, 6 Cranch, 133; *Boynton v. Rees*, 8 Pick. 329; *Mott v. Clark*, 9 Pa. 399; *Curtis v. Lunn*, 6 Munf. 42; *Lindsey v. Rankin*, 4 Bibb, 482; *Perry on Trusts*, §§ 222, 830.

<sup>1</sup> See *Church v. Ruland*, 64 Pa. 444; *Ashton's Appeal*, 73 Id. 153; *Troy City Bank v. Wilcox*, 24 Wis.

671; *Williams v. Williams*, 118 Mich. 477; *Hoye v. Kalashian*, 22 R. I. 101; *Kennedy v. Daly*, 1 Sch. & Lef. 379; *Perry on Trusts*, § 222; *Bourquin v. Bourquin*, 120 Ga. 115.

<sup>2</sup> *Demarest v. Wynkoop*, 3 Johns. Ch. 147.

<sup>3</sup> See note to *Basset v. Nosworthy*, 2 Lead. Cas. Eq. \*77; *Tourville v.*

### 267. Rule in United States ; protection *pro tanto*.

In the United States, also, the rule is the same in cases in which the legal title is conveyed, but the purchase-money not paid at the time of the notice.<sup>1</sup> In such a case the purchaser has no equity for he has lost nothing; and even if he has given security for the purchase-money he could not lose, because he could set up the failure of title as a defence.<sup>2</sup>

But when there has been a payment of purchase-money in part or in whole, and notice then intervenes before the acquisition of the legal title, the English rule is followed in the courts of some of the United States,<sup>3</sup> but in others a different doctrine is held.<sup>4</sup> Thus, in Pennsylvania and some other states, a payment of part of the purchase-money is a protection *pro tanto*.<sup>5</sup>

### 268. Notice actual and constructive ; actual notice either direct or presumptive.

Notice is either *actual* or *constructive* ; and actual notice may be again divided into *direct* or *positive* notice, and *indirect*, *implied*, or *presumptive* notice.<sup>6</sup>

Actual notice consists either in direct information of a fact brought directly home to a party; or in a knowledge of circumstances leading to a knowledge of such fact.<sup>7</sup> It embraces all degrees and grades of evidence, from the most direct and positive proof to the slightest circumstance from which knowledge

Naish, 3 P. Wms. 307; Story v. Windsor, 2 Atk. 630; Wigg v. Wigg, 1 Id. 384; 2 Sug. V. & P. 523; Perry on Trusts, § 221. See, however, 2 Dart's V. & P. 670.

<sup>1</sup> See Blanchard v. Tyler, 12 Mich. 339; Palmer v. Williams, 24 Id. 333; Murray v. Ballou, 1 Johns. Ch. 566; Patten v. Moore, 32 N. H. 382; McBee v. Loftis, 1 Strob. Eq. 90; Perry on Trusts, § 221.

<sup>2</sup> Perry on Trusts, § 219.

<sup>3</sup> See Penfield v. Dunbar, 64 Barb. 239; Keys v. Test, 33 Ill. 316; Haughwout v. Murphy, 21 N. J. Eq. 118; note to Basset v. Nosworthy, 2 Lead. Cas. Eq. 75.

<sup>4</sup> Notes to Basset v. Nosworthy, 2 Lead. Cas. Eq. 75.

<sup>5</sup> See Youst v. Martin, 3 S. & R.

423; Bellas v. McCarty, 10 Watts, 13; Juvenal v. Jackson, 14 Pa. 519; McFadyen v. Masters, 11 Okla. 16; Bender v. Kingman, 64 Neb. 766; Frost v. Beekman, 1 Johns. Ch. 288; Florence Sewing Machine Co. v. Ziegler, 58 Ala. 221; Paul v. Fulton, 25 Mo. 156; Davis v. Ward, 109 Cal. 186. See, also, Fraim v. Frederick, 32 Tex. 294; Sparks v. Taylor, 99 Tex. 411.

<sup>6</sup> This division is suggested by the language of the court in Flagg v. Mann, 2 Sumn. 556. See, also, Kettlewell v. Watson, 21 Ch. D. 704; Cave v. Cave, 15 Id. 643.

<sup>7</sup> Mayor v. Williams, 6 Md. 235; Harper v. Ely, 56 Ill. 194; Knapp v. Bailey, 79 Me. 195; Pope v. Nichols, 61 Kan. 230.

may be inferred.<sup>1</sup> In the first case, the notice is direct or positive; in the second it is indirect, implied, or presumptive.

Constructive notice is notice which is fastened upon a party by an irrefutable presumption of law, deduced from facts and circumstances, that knowledge must of necessity have been communicated to the party—the facts and circumstances which gave rise to the presumption requiring proof—but the presumption itself, when the facts are once established, being incapable of being disproved.<sup>2</sup> It is a legal inference from established facts, which, like other legal presumptions, does not admit of dispute; or, to use the definition usually given, it is no more than evidence of notice, the presumptions of which are so violent that the court will not allow even of its being controverted.<sup>3</sup>

The difference between implied or presumptive notice (which is here treated as a division of actual notice) and constructive notice is that the former is a presumption or inference of *fact*, which is capable of being explained or contradicted; while the other is a conclusion of law which is not permitted to be controverted. To illustrate the difference between the two: Anything which puts a person upon inquiry is said to amount to notice.<sup>4</sup> He is bound, if circumstances point out a path of investigation, to follow it. If he makes no inquiries, the presumption is that he has improperly turned away from a knowledge of the true state of the case, and he is, therefore, presumed as a conclusion of fact to know what he might have informed himself of. But if he *does* inquire, and does not, after an honest effort, succeed in discovering the fact, the presumption of knowledge will be rebutted. On the other hand, notice by the registration of a deed is an example of constructive notice. Of this registry, a party is, under the recording acts, bound to take notice; his knowledge is a conclusion of law; it is a presumption *juris et de jure*, and, as such, is incapable of being refuted.<sup>5</sup>

<sup>1</sup> *Williamson v. Brown*, 15 N. Y. 354.

<sup>2</sup> *Taylor v. London & County Banking Co.* [1901], 2 Ch. 231-240; *Hewitt v. Loosemore*, 9 Hare, 449-455.

<sup>3</sup> 2 Sug. V. & P. 755 (528, 8th Am. ed.). See, also, *Bell v. Twilight*, 2 Fost. 500; *Rogers v. Jones*, 8 N. H. 270; *Williamson v. Brown*, 15 N. Y.

354; *Creeson v. Miller*, 2 Watts, 274; *McCray v. Clark*, 82 Pa. 461; notes to *Le Neve v. Le Neve*, 2 Lead. Cas. Eq. 152, 157.

<sup>4</sup> *Gollob v. Martin*, 33 Kan. 252; *Trustees of Schools v. Sheik*, 119 Ill. 579; *Conn. Life Ins. Co. v. Smith*, 117 Mo. 261; *Pocahontas Tanning Co. v. Boom Co.*, 63 W. Va. 685.

<sup>5</sup> See *Kettlewell v. Watson*, 21 Ch.

Actual notice must consist in certain and definite information, as distinguished from vague rumors;<sup>1</sup> and, as a general rule, it may be stated that notice must come from some person who is interested in the property, for a purchaser is not bound to attend to statements by mere strangers.<sup>2</sup> But as actual notice cannot mean anything more or higher than direct knowledge, it is difficult to see how a party can disregard information concerning a title as to which he is in negotiation, even though coming from a stranger;<sup>3</sup> and hence it has been stated to be the rule, and this statement has been approved by judicial authority, that notice "need not come from a party or his agent, but it is sufficient if it be derived *aliunde*, provided it be of a character likely to gain credit."<sup>4</sup>

Notice to an agent is notice to the principal;<sup>5</sup> and it is to be considered (as far as the principal is concerned) as constructive notice; because the principal and agent, in matters within the scope of the latter's authority, are regarded, in the eye of the law, as one.<sup>6</sup>

There is no question as to the general rule. Whether it is

D. 704; *Bailey v. Galpin*, 40 Minn. 319; *Wood's Appeal*, 92 Pa. 379 (for a case in which the purchaser was held *not* to have been put upon inquiry); and *Ellis's Appeal*, 8 W. N. C. 538 (for one in which the purchaser *was* put upon inquiry). See, also, *Ryman v. Gerlach*, 153 Pa. 197; *Westinghouse v. German Nat. Bk.*, 188 Id. 630; *Shattuck v. Am. Cement Co.*, 205 Id. 209; *Earl of Sheffield v. London Joint Stock Bank*, 13 App. Cas. 333, and *City of Trinidad v. Milwaukee and Trinidad Sm. & Ref. Co.*, 27 U. S. App. 469.

<sup>1</sup> *Williamson v. Brown*, 15 N. Y. 354; *Weare v. Williams* (Iowa), 52 N. W. Rep. 328.

<sup>2</sup> *Butler v. Stevens*, 26 Me. 484; *The City Council v. Page*, 1 Spear's Eq. 159; *Kerns v. Swope*, 2 Watts. 75; *Woods v. Farmere*, 7 Id. 382; *Lamont v. Stinson*, 5 Wis. 443; *Churcher v. Guernsey*, 39 Pa. 86; *Bernhart v. Greenshields*, 28 Eng. L. & Eq. 77.

<sup>3</sup> *Ripple v. Ripple*, 1 Rawle, 386;

*Wilcox v. Hill*, 11 Mich. 256; *Knapp v. Bailey*, 79 Me. 195; American note to *Le Neve v. Le Neve*, 2 Lead. Cas. Eq. 146.

<sup>4</sup> *Story's Eq.* § 400 b; *Butcher v. Yocum*, 61 Pa. 170; *Mulliken v. Graham*, 72 Id. 484; *Rupert v. Mark*, 15 Ill. 542; *Cox v. Milner*, 23 Id. 476; *Curtis v. Mundy*, 3 Metc. 407.

<sup>5</sup> See *Columbian Bank's Estate*, 147 Pa. 435; and compare *Johnston v. Laffin*, 103 U. S. 800. As to husband and wife, see *Hamblet v. Harrison*, 80 Miss. 118.

<sup>6</sup> *Hough v. Richardson*, 3 Story, 660; *Bowman v. Wathen*, 1 How. 195; *Astor v. Wells*, 4 Wheat. 466; *Westervelt v. Haff*, 2 Sandf. Ch. 98; *Watson v. Wells*, 5 Conn. 468; *Bracken v. Miller*, 4 W. & S. 102; *Jones v. Bamford*, 21 Ia. 217; *Kennedy v. Green*, 3 Myl. & K. 699, 719; *Williams v. Williams*, 17 Ch. D. 437; *Kettlewell v. Watson*, 21 Id. 685; *Hallows v. Lloyd*, 39 Id. 686.

to be applied to a case in which knowledge is sought to be imputed, when the agent is himself the author of the fraud, is a question as to which there has been a conflict of opinion. The authorities will be found collected in *Gunster v. The Scranton Illuminating Heat and Power Co.*,<sup>1</sup> and the conclusion was there reached that in such a case the principal could not be charged with notice. Moreover where the agent acts not only for his principal but, also, for himself individually, and his interest or conduct is such as to render it certain that he would not make any disclosure to his principal, the same conclusion was reached.<sup>2</sup>

It has been held in many cases that the notice to the agent, in order to affect the principal, must be in the same transaction in which the former is acting on behalf of the latter.<sup>3</sup> Thus, a client (it has been said) could not be affected with notice of a fact of which his counsel has obtained information when acting on behalf of another party.<sup>4</sup> But the rule is now otherwise in England; and the change was adopted in the case of *The Distilled Spirits*, in the Supreme Court of the United States.<sup>5</sup>

Care should be taken, however, not to extend the rule to cases to which it is inapplicable. It has, therefore, been properly held that knowledge which comes to an officer of a corporation in his private transactions and in matters beyond the range of his official duties, is not to be treated as notice to the corporation.<sup>6</sup> And, on a similar principle, it was decided in an Alabama case that information acquired by an agent many years prior to his

<sup>1</sup> 181 Pa. 327, approved in *United Security Co. v. Cent. Nat. Bank*, 185 Id. 600. To the same effect are *Smith v. Boyd*, 162 Mo. 146; *State Savings Bank v. Montgomery*, 126 Mich. 327; *Scotch Lumber Co. v. Sage*, 132 Ala. 598, and *Express Co. v. Walker*, 9 N. Mex. 456.

<sup>2</sup> *Kennedy v. Green*, 3 Mynne & K. 699; *Innerarity v. Bank*, 139 Mass. 332; *Bank of Overton v. Thompson*, 56 C. C. A. 554.

<sup>3</sup> *Warrick v. Warrick*, 3 Atk. 294. See, also, *Bracken v. Miller*, 4 W. & S. 111; *Smith's Appeal*, 47 Pa. 128; *Houseman v. The Building Association*, 81 Id. 262; *Roberts v. Fleming*,

53 Ill. 198; *Keenan v. The Missouri Ins. Co.*, 42 Ia. 126; *Bierce v. The Red Bluff Hotel*, 31 Cal. 160; notes to *Le Neve v. Le Neve*, 2 Lead. Cas. Eq. 170.

<sup>4</sup> *Warner v. Hall*, 53 Mich. 372.

<sup>5</sup> 11 Wall. 366. See, also, *Dresser v. Norwood*, 17 C. B. (N. S.) 466; *Hart v. The Farmers' Bank*, 33 Vt. 252; *Willard v. Denise*, 50 N. J. Eq. 482; 2 Sug. V. & P. 532 (8th Am. ed.), and *Schwind v. Boyce*, 94 Md. 510.

<sup>6</sup> *Benton v. Ger. Am. Nat. Bank*, 122 Mo. 332. See, also, *International, etc., Ass'n v. Watson*, 158 Ind. 508.

acting in that capacity for another, cannot be binding upon the latter.<sup>1</sup>

Possession is notice. This doctrine is incidentally mentioned by Blackstone. "The trustee," he says, in explaining the law of uses and trusts, "is considered as merely the instrument of conveyance, and can in no shape affect the estate, unless by alienation for a valuable consideration to a purchaser without notice, which, *as the cestui que trust is generally in possession of the land, is a thing that can rarely happen.*"<sup>2</sup> In other words, it is taken for granted, in the sentence just quoted, that as against an equitable owner *in possession*, no purchaser can be heard to allege that he acquired the legal title without knowledge of the rights of the equitable owner; or, more briefly, Blackstone assumes it to be settled law that notice is imputed by possession.<sup>3</sup>

The modern English doctrine upon the subject may be stated to be that where a man is of right, and *de facto*, in possession of a corporeal hereditament, he is entitled to impute knowledge of that possession to all who deal for any interest in the property conflicting or inconsistent with the title, or alleged title, under which he is in possession, or which he has a right to connect with his possession of the property; and further, that a man who knows, or who cannot be heard to deny that he knows, another to be in possession of certain property, cannot for any civil purpose, as against him at least, be heard to deny having thereby notice of the title under which, or in respect of which, he is and claims to be in that possession. These are the propositions which were laid down by Lord Justice Knight Bruce in *Holmes v. Powell*,<sup>4</sup> and were said by that Judge to be based upon the language of Lord Eldon.<sup>5</sup> They are thoroughly sustained by the English authorities.<sup>6</sup>

In the United States, also, the doctrine was recognized at an early day. In *Billington v. Welch*<sup>7</sup> the existence of the general

<sup>1</sup> *Pearce v. Smith*, 126 Ala. 116.

<sup>2</sup> 2 Black. Com. 341.

<sup>3</sup> *Flitcraft v. Ins. Co.*, 211 Pa. 114.

<sup>4</sup> 8 De G., M. & G. 572, 580-581.

<sup>5</sup> In *Allen v. Anthony*, 1 Meriv. 282.

<sup>6</sup> *Smith v. Low*, 1 Atk. 489; *Taylor v. Stibbert*, 2 Ves. Jr. 437; *Daniels v. Davison*, 16 Id. 249; *Bailey v. Richardson*, 9 Hare, 734; *Cavander v. Bul-teel*, L. R. 9 Ch. 79; *Wilson v. Hart*, 1

*Id.* 467; note to *Le Neve v. Le Neve*, 2 Lead. Cas. Eq. 63. See *Allen v. Seckham*, 11 Ch. D. 790, and *Hunt v. Luck* [1901], 1 Ch. 45. Tenant's occupation affects purchaser with notice of his rights, but not with those of his lessor.

<sup>7</sup> 5 Binney, 129. See *Wilcox v. Leominster Bank*, 48 Minn. 541. The possession must be a *present one*.



rule was assumed as entirely well settled, and its application was refused only an account of the particular circumstances of the case; and in all the Federal and State Courts where the question has been raised, it has been treated as one of the fundamental principles by which the acquisition and enjoyment of real property are controlled.<sup>1</sup>

Notice by possession has been termed in many decisions "constructive" notice;<sup>2</sup> and the English doctrine as stated

A former possession will not suffice, although there still be evidence of it on the land. *Roussain v. Norton*, 53 Minn. 560. The possession, moreover, must be inconsistent with the title of the record owner. *Jerome v. Carbonate Nat. Bank*, 22 Colo. 37.

<sup>1</sup> *Warren v. Richmond*, 53 Ill. 22; *Hubbard v. Long*, 20 Ia. 149; *Sears v. Munson*, 23 Id. 380; *Glidewell v. Spaugh*, 26 Ind. 319; *Kelley v. Stanbery*, 13 Ohio, 426; *McKenzie v. Perrill*, 15 Id. 162; *Gouverneur v. Lynch*, 2 Paige Ch. 300; *Chesterman v. Gardner*, 5 Johns. Ch. 32; *McKecknie v. Hoskins*, 23 Me. 230; *Knapp v. Bailey*, 79 Id. 195; *Rupert v. Mark*, 15 Ill. 542; *Prettyman v. Wilkey*, 19 Id. 241; *Keys v. Test*, 33 Id. 316; *Cabeen v. Breckenridge*, 48 Id. 91; *Robbins v. Moore*, 129 Id. 30; *Disbrow v. Jones*, Harr. 48; *Bayard v. Norris*, 5 Gill. 483; *Webber v. Taylor*, 2 Jon. Eq. 9; *Money v. Ricketts*, 62 Miss. 209; *Bratton v. Rogers*, Id. 281; *Rorer Iron Co. v. Trout*, 83 Va. 397; *Security Trust Co. v. Wilhamette Co.*, 99 Cal. 636; *Stonesifer v. Kilburn*, 122 Id. 659; *Krider v. Lafferty*, 1 Whart. 303; *Sailor v. Hertzog*, 4 Id. 259; *Meehan v. Williams*, 48 Pa. 238; *Landes v. Brant*, 10 How. 375; *Hughes v. United States*, 4 Wall. 232; *Boland v. O'Neal*, 81 Minn. 15; *Kent v. Dean*, 128 Ala. 600; *Ramirez v. Smith*, 94 Tex. 184; *Scott v. Lewis*, 40 Oreg. 37; *Austin v. Southern B. & L. Ass'n*, 122 Ga. 439; *Shaffer v. Detie*, 191 Mo. 377; *Squires v. Kimball*, 208

Mo. 110; *Oberlender v. Butcher*, 67 Neb. 410; *Thalheimer v. Lockert*, 76 Ark. 25; and in this connection, note *Dodge v. Davis*, 85 Iowa, 79. In *Anderson v. Brinser*, 129 Pa. 376, a mortgagee was charged with notice of the existence of an option to buy in favor of a lessee in possession, and this ruling is in accordance with the doctrine under consideration. It has been held, however, by the same court, that the rule would not apply as between the original parties, i. e., as between vendor and vendee, *Wertheimer v. Thomas*, 168 Pa. 168; but this ruling would not seem to be free from doubt. *Leach v. Ansbacher*, 55 Id. 85, was decided under special circumstances, and is not to be regarded as a departure from the general rule.

Possession of tenants is constructive notice of the legal or equitable rights of the landlord under whom they hold and to whom they pay the rent even though the legal title stands in another's name. *Gallagher v. Northrup*, 215 Ill. 563.

<sup>2</sup> *Patten v. Moore*, 32 N. H. 384; *Williams v. Sprigg*, 6 Ohio St. 585; *Gouverneur v. Lynch*, 2 Paige Ch. 300; *Sailor v. Hertzog*, 4 Whart. 265; *Jaques v. Weeks*, 7 Watts, 275; *Hackwith v. Damron*, 1 Mon. 238; *Scroggins v. McDougald*, 8 Ala. 385; *Holmes v. Deppert*, 122 Mich. 275; note to *Le Neve v. Le Neve*, 2 Lead. Cas. Eq. 182; *Tillotson v. Mitchell*, 111 Ill. 518; *Farmers' Nat. Bank v*

above would seem to treat notice by possession as a presumption of law. But, on the other hand, this presumption has been held capable of being rebutted,<sup>1</sup> and the better opinion would, therefore, seem to be that notice by possession is to be considered as implied or presumptive notice merely.<sup>2</sup>

### 269. Constructive notice; Vice-Chancellor Wigram's division.

Constructive notice has been already defined, although the courts have not unfrequently hesitated to say with precision in what it shall consist; and the tendency in modern decisions is to limit the sphere of its operation.<sup>3</sup>

The definition stated in a preceding paragraph has been given with not a little diffidence, as it seems presumptuous, in the highest degree, to attempt to define what constructive notice is, when great authorities have endeavored to do so without success.<sup>4</sup>

The doctrine of constructive notice is wholly equitable, and differs from the inference of knowledge, which is, not unfrequently, drawn at common law. Such common-law inference is one by which the existence of actual knowledge is inferred; whereas constructive notice proceeds upon the theory of imputed knowledge solely.<sup>5</sup>

Vice-Chancellor Wigram, in *Jones v. Smith*,<sup>6</sup> divided constructive notice into two classes, as follows—first, cases in which the party charged has had actual notice that the property in dispute was in fact charged, encumbered, or in some way affected, and the court has, thereupon, bound him with constructive notice of facts and instruments to a knowledge of which he would have been led by an inquiry after the charge, encumbrance, or other circumstance affecting the property, of which he had actual notice; and, second, cases in which the court has been satisfied, from the evidence before it, that the party charged

Sperling, 113 Id. 273; *Carter v. Challen*, 83 Ala. 135; *Smith v. Schweigener*, 129 Ind. 363; *Ross v. Hendrix*, 110 N. C. 403.

<sup>1</sup> *Leach v. Ansbacher*, 55 Pa. 85. See *Cornell v. Maltby*, 165 N. Y. 557.

<sup>2</sup> See *Flagg v. Mann*, 2 Sumn. 556; *Williamson v. Brown*, 16 N. Y. 355; *Bank of Mendocino v. Baker*, 82 Cal. 114; *Emeric v. Alvarado*, 90 Id. 444;

*Stevens v. Castel*, 63 Mich. 111; *Levy v. Holberg*, 67 Miss. 526.

<sup>3</sup> *In re Hall*, 37 Ch. D. 712.

<sup>4</sup> See 2 Sug. V. & P. 470.

<sup>5</sup> See the language of Lord Esher, M. R., in *English & Scottish Merc. Inv. Co. v. Brunton* [1892], 2 Q. B. 708.

<sup>6</sup> 1 Hare, 43. See *Reed v. Gannon*, 50 N. Y. 345.

had designedly abstained from inquiry, for the very purpose of avoiding notice.<sup>1</sup> To these two classes may, perhaps, be added a third, viz., cases in which the party charged is presumed by the policy of the law, or by virtue of the provisions of some statute, to be cognizant of some proceedings pending, or act done, in relation to the property in question, whereby its title is affected.

Of the first of these classes of constructive notice an instance will be found in *Penny v. Watts*, a decision which has carried the doctrine under consideration very far, and which has, therefore, been criticised by great authority, but which is, nevertheless, with this qualification, a good illustration of the doctrine itself.<sup>2</sup>

Of the second class, *Birch v. Ellames*<sup>3</sup> (where a mortgagee, who had notice of the deposit of title deeds, but avoided inquiring the purpose for which it had been made, was held to be affected with notice of that purpose) is an example.

It is, moreover, perfectly well settled that a purchaser will have constructive notice of anything which appears in any part of the deeds or instruments which prove and constitute the title purchased, and is of such a nature as, if brought directly to his knowledge, would amount to actual notice.<sup>4</sup> And where it is the duty of a person to demand the production of title deeds,

<sup>1</sup> See *Babcock v. Lisk*, 57 Ill. 329; *Boxheimer v. Gunn*, 24 Mich. 379; *Oliver v. Sanborn*, 60 Id. 346; *Fouse v. Gilfillan*, 45 W. Va. 213.

<sup>2</sup> *Penny v. Watts*, 1 MacN. & G. 150. In this case, where a man who claimed under a marriage settlement as a purchaser without notice, had notice previous to his marriage that a legatee had given up her legacy under a will in favor of the intended wife, to whom the estate upon which it was charged belonged, and which was comprised in the subsequent marriage settlement, and had, also, notice that the intended wife had in consequence devised to the legatee a portion of the estate, and that the legatee was dead; it was held to be notice, as leading to an inquiry, of an equitable reversionary title in the husband of the legatee under a sub-

sequent agreement with the lady, the deviser, before her marriage, to convey the devised estate to him. See 2 Sug. V. & P. 550 (8th Am. ed.).

<sup>3</sup> 2 Anstr. 427. See *Earl of Sheffield v. London Joint Stock Bank*, 13 App. Cas. 333; *Simmons v. London Joint Stock Bank* [1891], 1 Ch. 295, and *Columbian Bank's Estate*, 147 Pa. 435.

<sup>4</sup> American note to *Le Neve v. Le Neve*, 2 Lead. Cas. Eq. 168, 169; *George v. Kent*, 7 Allen, 16; *Montefiore v. Brown*, 7 H. L. Cas. 241; *Land Co. v. Hill*, 87 Tenn. 589. See *Brownback v. Ozias*, 117 Pa. 87, where the recital of a charge was held sufficient, under the circumstances, to put the purchaser upon inquiry; and *Wertheimer v. Thomas*, 168 Id. 168, a case, however, which is not free from doubt.

he will be held to have notice of all the facts of which the production would have informed him.<sup>1</sup>

There is, however, a distinction between deeds which obviously *must* affect the property and deeds which may or may not affect it. If a case falls within the first category, a person must look at the deed, although he may be told that it does not affect the property; and if he does not look at it, he will be taken to have constructive notice of its contents. If a case is brought within the second category, and the person is told that the deed does not affect the property, he may take that statement, and cannot be held to have had constructive notice of its contents.<sup>2</sup>

### 270. Notice by registration.

The third class of cases includes those in which notice is given by registration of conveyances, and by *lis pendens*—the former depending upon statutory regulations—the latter upon a general principle of law which discourages alienation of the subject of a suit pending litigation.

The doctrine of constructive notice under the recording acts is one which, of course, depends, both in England and in this country, upon statute; and, stated in general terms, it is simply this: that where an instrument, which is entitled to be recorded, is duly executed and acknowledged, and is recorded in the proper territorial limits, such a registration is notice of the contents of the instrument,<sup>3</sup> and of all legal and equitable rights and titles created thereby, to any person claiming from or under the same grantor, by virtue of any title which existed in him at the date of the duly recorded conveyance.<sup>4</sup> And it may be further stated

<sup>1</sup> *Peto v. Hammond*, 30 Beav. 509; *Kellogg v. Smith*, 26 N. Y. 18. See Sug. V. & P., Chap. XXIV., where the whole subject of notice is discussed at length, and the cases examined.

<sup>2</sup> See English and Scottish Merc. Inv. Co. v. Brunton [1892], 2 Q. B. 700, and the opinion of Lord Esher, M. R., on p. 711, from which the statement in the text is taken. The distinction between deeds which "must affect" and those which "may affect," is fully explained in that opinion.

<sup>3</sup> See *Bancroft v. Consen*, 13 Allen, 50. And it has been held that the loss or destruction of the book makes no difference. *Sharp v. Am. Freehold & Mfg. Co.*, 95 Ga. 415; *Tucker v. Shaw*, 158 Ill. 326.

<sup>4</sup> 4 Kent's Com. 174, 175 (11th ed.) 2 Sug. V. & P. 539 (8th Am. ed.). Subsequent purchasers will be bound to take notice, although the record and deed lodged for record be destroyed, as was the case in the Chicago fire. *Franklin Savings Bank v. Taylor*, 131 Ill. 376; *Tucker v. Shaw*, 158 Ill. 326.

that actual knowledge on the part of a subsequent grantee, of the existence of a prior unrecorded deed, will be equivalent, so far as he is concerned, to registry, and will be so treated both at law and in equity; but whether or not the same effect will be given to merely constructive notice of a prior unrecorded deed, is a question upon which the authorities in the different states are not uniform.

### 271. What registration will operate as notice.

It will be observed, by referring to the above general statement, that constructive notice arises from the recording of those instruments only which are entitled to be registered. Thus (for example), where personal property is conveyed by a registered deed, the registry is not of itself constructive notice of the transfer, for transfers of such property are not (generally speaking) entitled to be registered. And this was held to be the case even where the deed conveyed real as well as personal property, and was, therefore, a recordable instrument as a conveyance of realty.<sup>1</sup> If, therefore, the deed is one which is not required or authorized by law to be recorded, the mere act of putting it on record cannot affect subsequent purchasers with notice of its contents or of any rights claimed under it. And the same rule will apply to cases in which deeds are not executed or acknowledged in the manner and form to entitle them to be recorded.<sup>2</sup>

Conveyances, to operate by way of constructive notice, must also be recorded within the territorial limits prescribed by the statute. Therefore, where a deed is recorded in the wrong county or in the wrong state, the record cannot operate as notice.<sup>3</sup> Nor is the record notice to any one except those who claim title under the same grantor.<sup>4</sup>

<sup>1</sup> *Pitcher v. Barrows*, 17 Pick. 361. See *Boggs v. Varner*, 6 W. & S. 469; *Beeman v. Cooper*, 64 Vt. 305.

<sup>2</sup> See, upon this subject, *Stevens v. Morse*, 47 N. H. 532; *Sumner v. Rhodes*, 14 Conn. 135; *Isham v. Bennington Iron Co.*, 19 Vt. 230; *Green v. Drinker*, 7 W. & S. 440; 4 Kent's Com. 174 (11th ed.); *Lessee of Heister v. Fortner*, 2 Binn. 40; *Parkist v. Alexander*, 1 Johns. Ch. 394; *Graham v. Samuel*, 1 Dana, 166; *Thomas v. Grand Gulf Bank*, 9 Sm. & M.

201; *Brown v. Budd*, 2 Carter (Ind.) 442; *Work v. Harper*, 24 Miss. 517; *Parret v. Shaubhut*, 5 Minn. 323. See, however, *Woods v. Garnett*, 72 Miss. 78.

<sup>3</sup> *Astor v. Wells*, 4 Wheat. 446; *Kerns v. Swope*, 2 Watts, 75; *Hundley v. Mount*, 8 Sm. & M. 387; *Lewis v. Baird*, 3 McLean, 56; *Crosby v. Huston*, 1 Tex. 203.

<sup>4</sup> *Stuyvesant v. Hall*, 2 Barb. Ch. 151; *Lightner v. Mooney*, 10 Watts, 412; *Woods v. Farmers*, 7 Id. 382;

### 272. Effect of actual notice of unregistered conveyance.

It was decided in the year 1747, in the leading case of *Le Neve v. Le Neve*,<sup>1</sup> that a registered will be postponed to an unregistered conveyance, if the purchaser under the former has notice at the time of the existence of the latter. This decision has been the subject of much regret in England, as it has been supposed (and with no little justice) to infringe upon the policy of the Registration Acts; but it has, nevertheless, been followed in a number of authorities; and the law must be considered as settled in accordance with that decision.<sup>2</sup> A similar view of the law has been adopted in the United States; and the general rule is held to be that actual knowledge of a prior unrecorded deed will operate to postpone the subsequent purchaser.<sup>3</sup>

### 273. Constructive notice of same.

But whether the same effect is to be given to *constructive* notice, is a question upon which the authorities are not uniform. In England it is now held that constructive notice of an unregistered conveyance will be enough to postpone a subsequent purchaser, although he has registered his deed.<sup>4</sup> Similar decisions have been made in many of the United States. Thus, in New York and in Maryland, it has been held that constructive notice is enough; and in Pennsylvania it is decided that open

*Bates v. Norcross*, 14 Pick. 224; *George v. Wood*, 9 Allen, 80; *Crockett v. Maguire*, 10 Mo. 34; *Tilton v. Hunter*, 24 Me. 29; *Leiby v. Wolf*, 10 Ohio, 83.

<sup>1</sup> Amb. 436; 3 Atk. 646; 1 Ves. 64; 2 Lead. Cas. Eq. 35 (4th Eng. ed.).

<sup>2</sup> See *Wyatt v. Barwell*, 19 Ves. 439; *Chadwick v. Turner*, 34 Beav. 634; L. R. 1 Ch. 310; *Neve v. Pennell*, 2 H. & M. 170; *Ford v. White*, 16 Beav. 120; *Benham v. Keane*, 1 Johns. & H. 685; 3 De G., F. & J. 318.

<sup>3</sup> *Jackson v. Leek*, 19 Wend. 339; *Porter v. Cole*, 4 Me. 20; *Rogers v. Jones*, 8 N. H. 264; *Garwood v. Garwood*, 8 N. J. Eq. 193; *Hamilton v. Nutt*, 34 Conn. 501; *Owens v. Miller*, 29 Md. 144; *Farnsworth v. Childs*, 4 Mass. 637; *Martin v. Sale*, *Bailey's Eq.* 1; *Speer v. Evans*, 47 Pa. 141; *Nice's Appeal*, 54 Id. 200;

*Pike v. Armstead*, 1 Dev. Eq. 110; *Vanmeter v. McFaddin*, 8 B. Mon. 442; *Ohio Ins. Co. v. Ledyard*, 8 Ala. 866; *Gibbes v. Cobb*, 7 Rich. Eq. 54; *Mitchell v. Aten*, 37 Kan. 33; *Wilkins v. McCorkle*, 112 Tenn. 688; *American notes to Le Neve v. Le Neve*, 2 Lead. Cas. Eq. 183. The record of a mortgage upon the land given by a person not in possession is not constructive notice of an unrecorded deed from the holder of the record title to the mortgagor where the former does not appear to be a party to the mortgage. *Booker v. Booker*, 208 Ill. 529.

<sup>4</sup> *Wormald v. Maitland*, 35 L. J. Ch. (N. S.) 69; 13 W. Rep. 832; *In re Allen*, 1 Ir. Eq. 455. See, however, *Chadwick v. Turner*, L. R. 1 Ch. 310; *Agra Bank v. Barry*, 6 Ir. Eq. 128; 7 App. Cas. 135.

and notorious possession (which can operate only as constructive notice if the subsequent grantee is, in fact, ignorant of such possession) is sufficient notice of an unrecorded deed.<sup>1</sup> But even in these states the decisions upon this point have not been uniform;<sup>2</sup> while in many other states of the Union a contrary doctrine has been held.<sup>3</sup> It is, therefore, impossible to say that any uniform rule upon the subject exists on this side of the Atlantic.

In some states, as in Maine and Massachusetts, *actual* notice is required by statute.<sup>4</sup>

#### 274. *Lis pendens*.

Before leaving the subject of notice it will be desirable to say a few words upon the doctrine of *lis pendens*, which may be conveniently adverted to in this connection, although, as will be seen presently, it is one which does not, strictly speaking, rest upon the general doctrine of notice.

The doctrine of *lis pendens* is one by which a suit in chancery, duly<sup>5</sup> prosecuted in good faith, and followed by a decree, is constructive notice, to every person who acquires from a defendant *pendente lite* an interest in the subject-matter of the litigation, of the legal and equitable rights of the plaintiff, as charged in the bill and established by the decree.<sup>6</sup> It is a doctrine of courts of equity of ancient origin;<sup>7</sup> and, in this country, is

<sup>1</sup> Tuttle v. Jackson, 6 Wend. 213; Price v. McDonald, 1 Md. 414; Krider v. Lafferty, 1 Whart. 303; Randall v. Silverthorn, 4 Pa. 173; Patton v. The Borough, 40 Id. 206; and in California, see Mahoney v. Middleton, 41 Cal. 41; Talbert v. Singleton, 42 Id. 390. Possession was also held to be notice in Buck v. Holloway, 2 J. J. Marsh. 178; Hopkins v. Garrard, 7 B. Mon. 312; Colby v. Kenniston, 4 N. H. 262; Morrison v. Kelly, 22 Ill. 610; Landes v. Brant, 10 How. 348; Oliver v. Sanborn, 60 Mich. 346.

<sup>2</sup> Scott v. Gallagher, 14 S. & R. 333; Boggs v. Varner, 6 W. & S. 469; Dey v. Dunham, 2 Johns. Ch. 183; Ohio Ins. Co. v. Ross, 2 Md. Ch. 35; Gill v. McAttee, Id. 268.

<sup>3</sup> Harris v. Arnold, 1 R. I. 125; Norcross v. Widgery, 2 Mass. 599; Bush v. Golden, 17 Conn. 594; Finch

v. Woods, 113 Ga. 996; Frothingham v. Stacker, 11 Mo. 77; Fleming v. Burgin, 2 Ired. Eq. 584; Flagg v. Mann, 2 Sumn. 491; Emeric v. Alvarado, 90 Cal. 444.

<sup>4</sup> See Glass v. Hulbert, 102 Mass. 34; Boggs v. Anderson, 50 Me. 161; 2 Sug. V. & P. 545, note (8th Am. ed.).

<sup>5</sup> The suit must be prosecuted with reasonable diligence. Taylor v. Carroll, 89 Md. 32; Tinsley v. Rice, 105 Ga. 205.

<sup>6</sup> Haughwout v. Murphy, 22 N. J. Eq. 531, 544. The suit must be *pending*; after decree it is not constructive notice. Worsley v. Scarborough, 3 Atk. 392; Hill on Trustees, 511; Sug. V. & P. 760, note a.

<sup>7</sup> See Sorrell v. Carpenter, 2 P. Wms. 482; Digs v. Boys, Toth. 187; 2 Sug. V. & P. 533, note (8th Am. ed.).

founded on Chancellor Kent's opinion in *Murray v. Ballou*, decided in 1815.<sup>1</sup> It is based upon the theory that legal proceedings during their continuance are publicly known throughout the realm;<sup>2</sup> and while in some few cases in this country it has been rejected,<sup>3</sup> it has been very generally adopted throughout the United States, both in courts of law and in those of equity.<sup>4</sup>

The principal qualifications of this doctrine are that the specific property must be pointed out and sufficiently described by the proceedings; that it is notice only in relation to that property;<sup>5</sup> and that it applies only to *purchasers* from a party to the suit of the thing in controversy, it has no application to a third person whose interest subsisted before the suit was commenced, but was of a contingent and conditional character, and it operates in favor of the complainant only.<sup>6</sup>

In England it is held that the doctrine applies only to interests in realty.<sup>7</sup> In the United States, however, it has been applied to certain classes of personalty, such as stocks and non-negotiable securities; but its application to movable personal property and to negotiable instruments has been denied.<sup>8</sup>

<sup>1</sup> 1 Johns. Ch. 566.

<sup>2</sup> Adams's Doct. of Eq. 157. See *Cook v. Mancius*, 5 Johns. Ch. 85.

<sup>3</sup> *Newman v. Chapman*, 2 Rand. 93; *City Council v. Page*, Spear's Eq. 159. See *King v. Bill*, 28 Conn. 593.

<sup>4</sup> *Murray v. Lylburn*, 2 Johns. Ch. 441; *Watlington v. Howley*, 1 Dess. 167; *Owings v. Myers*, 3 Bibb, 279; *Wickliffe v. Breckinridge*, 1 Bush, 427; *Chaudron v. Magee*, 8 Ala. 570; *Tongue v. Morton*, 6 Har. & J. 21; *Green v. White*, 7 Blackf. 242; *Haven v. Adams*, 8 Allen, 363; *Baird v. Baird*, Phil. Eq. 317; *Edwards v. Banksmith*, 35 Ga. 213; *Cooley v. Brayton*, 16 Ia. 10; *Parsons v. Hoyt*, 24 Id. 154; *Scarlett v. Gorham*, 28 Ill. 319; *Jackson v. Warren*, 32 Id. 331; *Snively v. Hitechew*, 59 Pa. 49; *Hurlbutt v. Butenop*, 27 Cal. 50; *Turner v. Haupt*, 53 N. J. Eq. 526; *O'Connor v. O'Connor*, 45 W. Va. 354; *Powell v. National Bank of Commerce*, 19 Colo. App. 57; *Taylor v. U. S. Bldg. Ass'n*, 110 Ky. 84. A *lis pendens*

affects not only a purchaser from one of the parties to the suit but also those who hold by conveyances under him. *Bridger v. Bank*, 126 Ga. 821.

<sup>5</sup> *Edmunds v. Crenshaw*, 1 McCord's Ch. 252; *Lewis v. Mew*, 1 Strob. Eq. 180; *Green v. Slayter*, 4 Johns. Ch. 38; *Miller v. Sherry*, 2 Wall. 238; *Green v. Rick*, 121 Pa. 130.

<sup>6</sup> *Hopkins v. McLaren*, 4 Cow. 678; *Clarkson v. Morgan*, 6 B. Mon. 441; *Parks v. Jackson*, 11 Wend. 442; *French v. The Loyal Company*, 5 Leigh, 627; *Diamond v. Lawrence County*, 37 Pa. 356; *Hokanson v. Gunderson*, 54 Minn. 499; *Norris v. Ile*, 152 Ill. 190; *Boykin v. Jones*, 67 Ark. 571; *Geishaker v. Pancoast*, 57 N. J. Eq. 60; *Noyes v. Crawford*, 118 Ia. 15.

<sup>7</sup> *Wigram v. Buckley* [1894], 3 Ch. 483.

<sup>8</sup> See the language of Chancellor Kent in *Murray v. Lylburn*, 2 Johns. Ch. 441, as to which Mr. Justice



The doctrine of *lis pendens* had formerly been regarded as depending upon the general doctrine of notice; but in *Bellamy v. Sabine*.<sup>1</sup> the subject was elaborately examined by the English Court of Appeals in chancery, and the conclusion reached that the true theory of *lis pendens* is that it proceeds from the general rule which forbids alienation of contested property pending litigation. The reason of the rule is the necessity for putting an end to litigation which would become interminable, if the subject-matter thereof could be transferred as often as the parties chose, from time to time. This view of the doctrine has been adopted in New Jersey.<sup>2</sup>

### 275. Plea of *bona fide* purchaser for value.

It has been already explained that the only persons who are entitled to avail themselves of want of notice as a defence are *bona fide* purchasers for a valuable consideration.<sup>3</sup>

In other words, if a man wishes to hold property as against some other person who has a prior equitable right thereto, he must show that he is, in the first place, a *purchaser*, as distinguished from a mere *volunteer*; in the second place, that he is an *honest*, not a fraudulent purchaser; and, lastly, that he has bought for a *valuable* consideration.

On the other hand, a purchaser who possesses these requisites is entitled to protect himself against any discovery in aid of the adverse claim. Ordinarily, as will be seen hereafter, a plaintiff in equity is entitled to discovery from the defendant—in other words, the latter must answer the bill of the former under oath. But to this general rule there are some exceptions, among them being this—that the defendant is not bound to disclose any imperfection in his title if he has honestly and in good faith paid for the estate in order to make himself the owner of it.

Bradley observed (in *County of Warren v. Marey*, 97 U. S. 106), "Here we have the whole law on the subject. Subsequent cases have only carried it out and applied it."

<sup>1</sup> 1 De G. & J. 566; *Colonial Bank v. Hepworth*, 36 Ch. D. 36.

<sup>2</sup> *Haughwout v. Murphy*, 22 N. J. Eq. 544; *Geishaker v. Pancoast*, 57 Id. 60. See, also, *Newman v. Chapman*, 2 Rand. 93, decided by the Court of Appeals in Virginia in 1823,

and *Youngman v. Elmira Railroad Co.*, 65 Pa. 287; *Bridger v. Bank*, 126 Ga. 821.

<sup>3</sup> To invoke the protection it is essential that the purchaser should acquire some interest in the property; one who purchases at a foreclosure sale under a void mortgage acquires no interest or title and cannot be a *bona fide* purchaser for value without notice. *Shook v. Southern Bldg. Assn.*, 140 Ala. 575.

The principle of this plea was said by Lord Eldon to be this:

"I have honestly and *bona fide* paid for this estate, in order to make myself the owner of it, and you shall have no information from me as to the perfection or imperfection of my title until you deliver me from the peril in which you state I have placed myself in the article of purchasing *bona fide*." <sup>1</sup> Such a purchaser, when he has once put in that plea, may be interrogated and tested to any extent, as to the valuable consideration which he has given, in order to show the *bona fides* or *mala fides* of his purchase, and also the presence or absence of notice; but when once he has gone through that ordeal successfully, then the court has no jurisdiction whatever to do anything more than to let him depart in possession of the estate, right, or advantage which he has obtained, whatever that may be.<sup>2</sup> In the United States, generally, this position may be assumed by way of answer, instead of plea.

### 276. Can be used by the holder of an equitable title.

It is now settled in England, after some conflict of authority, that the plea of a *bona fide* purchaser for value is available for the protection of an equitable as well as of a legal title. The qualifications which are to be attached to this doctrine, and the extent to which it has been followed in the United States, have been already explained.<sup>3</sup>

A judgment-creditor, and a creditor deriving title under levy of execution, are not *purchasers* in the sense of being entitled to avail themselves of this plea.<sup>4</sup>

### 277. Doctrine of seeing to the application of purchase-money.

Under the general doctrine of notice arises the rule that purchasers from a trustee for sale must see to the application of the purchase-money. It is a general duty of trustees to use the trust property for the purposes of the trust alone; any other use of it is a breach of trust, and is unlawful.

<sup>1</sup> Wallwyn v. Lee, 9 Ves. 24. See Sug. V. & P., Chap. XXV., where the subject is discussed, and Story's Eq. Pleading, § 603.

<sup>2</sup> Pilcher v. Rawlins, L. R. 7 Ch. 269; per Lord Justice James. See, also, Zollman v. Moore, 21 Gratt. 329.

<sup>3</sup> Ante, § 264.

<sup>4</sup> Whitworth v. Gaugain, 3 Hare, 416; Hart v. Farmers' Bank, 33 Vt. 252; Finch v. Winchelsea, 1 P. Wms. 277; Ludwig v. Highley, 5 Pa. 132; Reed's Appeal, 13 Id. 478; Morris v. Ziegler, 71 Id. 450; Badeley v. Consolidated Bank, 34 Ch. D. 536.

It follows that, if trust property is sold, it must be sold for the benefit of the *cestui que trust*; in other words, the sale must enure to his advantage, and the proceeds must be applied in accordance with the design of the trust. It follows, moreover, that a disposition of the property for any other consideration than one moving to the trust estate, is a fraud upon the trust; and that no person who acquires the trust property under such circumstances with notice of the trust, can claim to hold it free and discharged from the rights of the *cestui que trust*.

Equity, for the protection of the interests of the *cestui que trust*, has engrafted a still further doctrine—which is, that in order to prevent any fraud from being practised upon the rights of the beneficial owner, the purchaser from the trustee shall not hold the property freed from the trust, unless the purchase-money, after it is paid to the trustee, is duly appropriated by him to the purposes of the trust. This doctrine is known in equity as the duty on the part of the vendee of “seeing to the application of the purchase-money;” and it may be stated, very generally, in these terms, “that whenever the trust or charge is of a defined or limited nature, the purchaser must himself see that the purchase-money is applied to the proper discharge of the trust; but whenever the trust is of a general or uncertain nature, he need not see to it.”<sup>1</sup>

Thus, where there was a trust of real estate to pay particular or scheduled debts, the purchaser was bound to see to the application of the purchase-money; if the trust was for the payment of debts generally, the purchaser was not so bound.

The reason of this distinction was, that the creator of the general trust must necessarily have intended that the receipt of the trustee should be a sufficient discharge, and that to him alone should be confided the duty and responsibility of a proper disposition of the trust assets. If the author of the trust *expressly* said in the instrument creating the same, that the receipt of the trustee would be sufficient, the purchaser was not bound to see to the application of the money; and it was considered that the same rule ought to apply when the power to give a sufficient discharge was implied.<sup>2</sup>

<sup>1</sup> See *Clyde v. Simpson*, 4 Ohio St. 445; *Curd v. Field*, 103 Ky. 293; *Lewin on Trusts*, 517-519 *et seq.* (10th Eng. ed.); *Sug. V. & P.* 660,

661; *Elliot v. Merryman*, 1 Lead. Cas. Eq. \*59, and notes.

<sup>2</sup> *Lewin, supra.*

Sales of personal property by executors stand upon the same footing as sales of real estate under a trust to pay debts generally; the purchaser is not bound to see to the application of the money. Indeed, a purchaser of personalty was never bound, as a general rule, to see to the application.

### 278. Abolished in England.

Upon the principle stated above, a number of refinements and distinctions were engrafted by the English courts.

The doctrine was, however, a harsh one, and caused great inconvenience; and it has, after one or two unsuccessful attempts, been finally abrogated in England by a statute passed in 1859.<sup>1</sup>

### 279. Of little importance in the United States.

In the United States the doctrine never was received with any favor.<sup>2</sup> The distinction between trusts for the payment of debts generally and the payment of scheduled debts was not recognized; principally for the reason that lands in this country are, as a general rule, assets for the payment of debts; and that, therefore, where a general trust to pay debts attached to the whole realty, it brought the case within the rule applicable to trusts for the payment of debts generally. This tendency of the American courts not to adopt the doctrine of the necessity of seeing to the application of the purchase-money, has been further strengthened by legislation in some states.<sup>3</sup>

It must be remarked, however, that even in the United States a purchaser who *colludes* with an executor or trustee will be held responsible for any misapplication of trust money growing out of the same transaction. But this falls under a different doctrine, viz., fraud.

<sup>1</sup> 22 and 23 Vict., c. 35, §23.

<sup>2</sup> Section 4846 Ky. Stats. 1903;

<sup>3</sup> Redford v. Clarke, 100 Va. 115; Stevens v. Smith, 124 Ky. 784. Perry on Trusts, § 797.

## CHAPTER IV.

## EQUITABLE ESTOPPEL; ELECTION.

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| <p>280. Definition of estoppel.</p> <p>281. Different kinds of estoppel; legal estoppels <i>in pais</i>.</p> <p>282. Equitable estoppel or estoppel by conduct; founded on fraud.</p> <p>283. A party may be estopped by the assertion of an untruth. <i>Congregation v. Williams</i>.</p> <p>284. A party may be estopped by the concealment of the truth. <i>Pickard v. Sears</i>.</p> <p>285. Conduct which works an estoppel must be external to the contract.</p> <p>286. Representations between party alleging estoppel and party estopped.</p> <p>287. Representations between party alleging estoppel and third party.</p> <p>288. Representations need not be known to be false by party making them.</p> <p>289. Must operate to deceive the party to whom they are made.</p> <p>290. Intention that conduct should be acted on must exist.</p> <p>291. Estoppel must be actually produced by the conduct.</p> | <p>292. Estoppel is limited to the representations made.</p> <p>293. Estoppels in the cases of married women and infants.</p> <p>294. Estoppels bind parties and privies.</p> <p>295. Election; definition and example.</p> <p>296. Of two kinds; expressed and implied.</p> <p>297. Importance of the distinction between the two.</p> <p>298. Circumstances under which the doctrine of election arises; illustrations.</p> <p>299. After-acquired lands.</p> <p>300. Powers.</p> <p>301. Donor must give property of his own.</p> <p>302. Property of the donee must be also given.</p> <p>303. Gifts must be by the same instrument.</p> <p>304. Manner in which election may be made.</p> <p>305. Consequence of an election is compensation, not forfeiture.</p> <p>306. Application of doctrine of election to case of creditors.</p> |
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**280. Definition of estoppel.**

EQUITABLE estoppel is a doctrine of comparatively modern growth. It has developed largely within the past few years, and has received not a little consideration at the hands of judges and text-writers.

An estoppel was defined by Lord Coke to be where "a man's

own act or acceptance stoppeth or closeth up his mouth to allege or plead the truth.”<sup>1</sup> This definition, however, is rather striking than accurate. A man is not prevented, by estoppel, from telling the truth. He is only barred from the assertion of a right or title by some previous action or conduct on his part which would render the present assertion of his right unjust. Where, for instance, the owner of shares of stock signs a letter of attorney to transfer in blank, he confers an authority upon any subsequent *bona fide* holder, for value, to fill in his own name, and is *estopped* from denying the existence of such authority. He is prevented by his own act, viz., his signature to a blank power of attorney, from asserting his title; for to permit him to insist upon it after arming another with an apparent authority to divest it, would be contrary to justice and good faith.<sup>2</sup> In other words, where an act is done or a statement made by a party, under such circumstances that to impair its efficacy or controvert its truth, would be (to quote the language of Chitty, J., in the case just cited<sup>3</sup>) “contrary to justice and good faith,” the result is that the party is debarred from asserting any right or title in opposition to any right which has been acquired in reliance upon such act or statement; and this result is called an estoppel.<sup>4</sup> Viewed in this light, estoppels are not odious suppressions of the truth, as they were considered to be in the old law; but are part of the machinery by which equitable conclusions are reached.<sup>5</sup>

The correct view of an estoppel is that taken in a learned work devoted to this particular branch of the law, wherein the whole subject has been elaborately discussed.<sup>6</sup> “Certain admissions,” it is there said, “are indisputable, and estoppel is the

<sup>1</sup> Co. Litt. 352, a. The instance given by Littleton, upon which the remark cited is a comment, was where a man was estopped by his feoffment.

<sup>2</sup> See the remarks of Chitty, J., in *Colonial Bank v. Hepworth*, 36 Ch. D. 53 and 54; and see, also, *Colonial Bank v. Cady*, 15 App. Cas. 285.

<sup>3</sup> *Colonial Bank v. Hepworth*, 36 Ch. D. 53 and 54.

<sup>4</sup> See *Earl of Sheffield v. London Joint Stock Bank*, 13 App. Cas. 333; *Wood's Appeal*, 92 Pa. 379, and the

dissenting opinion of Mitchell, J., in *Ryman v. Gerlach*, 153 Id. 206.

<sup>5</sup> “The office of estoppels at law is like that of injunctions in equity, to preclude rights which cannot be asserted consistently with good faith and justice, and to prevent wrongs, for which there might be no adequate remedy.” *Van Rensselaer v. Kearney*, 11 How. 297. See, also, *Doe v. Dowdall*, 3 Houst. 377; *Calder v. Chapman*, 52 Pa. 359.

<sup>6</sup> Bigelow on Estoppel.

agency of the law by which evidence to controvert their truth is excluded." <sup>1</sup>

It has, indeed, been sometimes said that the doctrine of Estoppel is a branch of the law of Fraud. <sup>2</sup> This is so if "fraud" is used in the general sense of what is "inequitable" or "unjust;" but it is *not* accurate if by fraud is meant deceit. <sup>3</sup> For the equitable doctrine of estoppel may be enforced against one who has been guilty of no deceit, but who has, through innocent misapprehension, induced another to rely upon his statements or conduct.

### 281. Different kinds of estoppel; legal estoppels *in pais*.

Estoppels may arise either by matter of record, of deed, or *in pais*. <sup>4</sup>

It is only with estoppels of the latter class that we have anything to do—estoppels by record and by deed being common-law estoppels, and not the peculiar province of chancery jurisdiction.

Indeed, some estoppels *in pais* are recognized and acted upon at common law. These are stated by Lord Coke to be estoppels by livery, by entry, by acceptance of rent, by partition, and by the acceptance of an estate. <sup>5</sup> Of these the only two which prevail in America at the present day are estoppels by partition and by acceptance of rent. <sup>6</sup> But these are not equitable estoppels, for they are quite well recognized at common law. We may, therefore, put aside from consideration any estoppels which existed in the time of Lord Coke. <sup>7</sup>

Since Coke's time there has grown up a large class of estoppels *in pais*. Of these some may be considered legal estoppels (or those which are thoroughly recognized in courts of law), such as the estoppel which prevents a bailee from denying the title of the bailor, or the estoppel which displays itself in the warranty of genuineness implied by the acceptance and the endorsement of a bill of exchange or a promissory note; <sup>8</sup> and

<sup>1</sup> Bigelow on Estoppel, Introduction, xliv. (2d ed.).

<sup>2</sup> *Comm. v. Moltz*, 10 Pa. 530; *Stephens v. Baird*, 9 Cow. 274; *Dewy v. Field*, 4 Met. 381; *Congregation v. Williams*, 9 Wend. 147.

<sup>3</sup> 2 Pom. Eq. Jurisp. § 803, where the distinction is well explained.

<sup>4</sup> See notes to the *Duchess of Kingston's Case*, 2 Sm. Lead. Cas. 617.

<sup>5</sup> Co. Litt. 352, a.

<sup>6</sup> Bigelow on Estoppel, 454 (5th ed.).

<sup>7</sup> Id. 455.

<sup>8</sup> Bigelow on Estoppel, 481 (5th ed.); 2 Sm. Lead. Cas. 658.

some, on the other hand, may be described to be purely equitable estoppels, or those estoppels which, although they may be recognized and acted upon in courts of law, nevertheless owe their origin and development to the ideas of justice entertained and promulgated by Courts of Chancery.<sup>1</sup> This particular class of estoppels *in pais* embraces what are known as estoppels by conduct; and this phrase may be, perhaps, used as the correlative term for equitable estoppels.<sup>2</sup>

### 282. Equitable estoppel or estoppel by conduct; founded on fraud.

Equitable estoppel, or estoppel by conduct,<sup>3</sup> has its foundation in the necessity of compelling the observance of good faith; because a man cannot be prevented by his conduct from asserting a previous right, unless the assertion would be an act of bad faith towards a person who had subsequently acquired the right.<sup>4</sup>

It is the presence of this bad faith, either in the intention of the party, or by reason of the result which would be produced

<sup>1</sup> The doctrine of estoppel *in pais* originated in chancery, but is now adopted in courts of law. Note to *Duchess of Kingston's Case*, 2 Smith's Lead. Cas. 711; Ill. Cent. R. Co. v. B. & O. & C. R. Co., 23 Ill. App. 531. See, also, *Curtin v. Salmon River Co.*, 141 Cal. 308; *Blood v. La Serena Land, etc., Co.*, 113 Cal. 221, where the difference between equitable estoppel and *ratification* is referred to.

<sup>2</sup> *Horn v. Cole*, 51 N. H. 290; *Bigelow on Estoppel*, 556 (5th ed.). Estoppels of this class "extend to all cases where one party by his conduct wilfully or negligently induces another party to do or omit to do a particular thing." *Wharton on Evidence*, § 1143, citing (among other cases) *Stevens v. Dennett*, 51 N. H. 324; *Zuchtmann v. Roberts*, 109 Mass. 53; *Barnard v. Campbell*, 55 N. Y. 456; *Comstock v. Smith*, 26 Mich. 306; *People v. Brown*, 67 Ill. 435; *Peters v. Jones*, 35 Ia. 512; *Dresbach v. Minnis*, 45 Cal. 223; *Thomas v. Pullis*, 56 Mo. 211.

*State v. Flint & P. M. R. Co.*, 89 Mich. 481, it was held that the doctrine applies to a State as well as to an individual; but upon this point see *Bigelow on Estoppel*, 341 (5th ed.), where the contrary doctrine is expressed. *Rogers v. Street Railway*, 100 Me. 86.

<sup>3</sup> See *St. Paul's Ref. Ch. v. Hower*, 191 Pa. 312.

<sup>4</sup> "The principle runs through the whole doctrine of estoppel that a man is only prevented from alleging the truth when his assertion of a falsehood or his silence has been the inducement to action by the other party which would result in loss if the opponent was permitted to gainsay what he had before asserted, or induced the other to believe by his acts." *Patterson v. Lytle*, 11 Pa. 53. See, also, *Hill v. Epley*, 31 Id. 334. *Slicker v. Schuehert*, 179 Id. 401; *Rice v. Groffmann*, 56 Mo. 435; *Osborn v. Elder*, 65 Ga. 360; *Snell v. Barr*, 29 Oreg. 250.



if he were permitted to deny the truth of his statement, that distinguishes this species of estoppel from estoppel at common law.<sup>1</sup>

Equitable estoppel might, therefore, have been noticed under the head of Fraud—the word “fraud” being used in the general sense,<sup>2</sup>—but it may properly receive a separate consideration, because, in modern times, this doctrine has assumed an importance which warrants its notice as a distinct head of Equitable Jurisdiction.

The representation which will operate as an estoppel must be (a) one that is either a suggestion of an untruth, or a concealment of the truth when there is a duty to speak; (b) it is always external to the transaction; (c) and it may be a representation which takes place either in a transaction effected between the party alleging the estoppel and the party estopped, or in one between the party alleging the estoppel and some third party.<sup>3</sup>

**283. A party may be estopped by the assertion of an untruth; *Congregation v. Williams*.**

The assertion of an untruth may operate to estop a party from subsequently setting up the truth.<sup>4</sup> Thus, a tenant, when a distress was levied on certain goods upon the premises, declared that the goods did not belong to him, and the distress was thereupon abandoned. Afterwards the landlord brought an

<sup>1</sup> *Comm. v. Moltz*, 10 Pa. 531; *Robbins v. Moore*, 129 Ill. 30.

<sup>2</sup> *Hill v. Epley*, 31 Pa. 334.

<sup>3</sup> In *Bigelow on Estoppel*, 570 (5th ed.), it is said that the following elements must be present in order to an estoppel by conduct:

1. There must have been a *false representation* or *concealment* of material facts.

2. The representation must have been made with *knowledge* of the facts.

3. The party to whom it was made must have been *ignorant of the truth* of the matter.

4. It must have been made with the *intention* that the other party should act upon it.

5. The other party must have been *induced to act upon it*.

Compare this statement with the requisites to a fraudulent misrepresentation *generally*, stated *ante*, § 206.

See, also, the remarks of Cowen, J., in *Dezell v. Odell*, 3 Hill, 219, and the cases of *Stevens v. Dennett*, 51 N. H. 324; *People v. Brown*, 67 Ill. 435; *Martin v. Zellerbach*, 38 Cal. 300, 315; *Wood v. Blany*, 107 Cal. 291; *Acton v. Dooley*, 74 Mo. 63; *Trenton Banking Co. v. Duncan*, 86 N. Y. 221; *Timon v. Whitehead*, 58 Tex. 290; *Griffith v. Wright*, 6 Colo. 248; *Western Land Association v. Banks*, 80 Minn. 317; *Chesapeake and Ohio Ry. Co. v. Walker*, 100 Va. 69; *Goo Kim v. Holt*, 10 Hawaii, 653.

<sup>4</sup> To raise an estoppel there must be a misrepresentation of existing facts, and not of mere intention. *Chadwick v. Manning* [1896], A. C. 231.

action of ejectment upon a clause in the lease authorizing a re-entry for non-payment of rent, in case sufficient distrainable goods were not found on the premises. In this action the tenant endeavored to show that the goods on the premises in point of fact were his; but it was held that he was estopped from so doing by his previous untruth.<sup>1</sup> And so it has been held that a party who stands by at the sale of his property under a void authority and encourages purchasers to bid, is guilty of a direct fraud, and that under such circumstances a trust *ex maleficio* will arise which a Court of Chancery will enforce.<sup>2</sup>

Moreover, it is not necessary that the assertion of untruth should be wilful. It may have been innocently made. It may have been stated through a pure mistake. Nevertheless, if the other party relied upon it and acted on it, the party making the statement is estopped from denying it.<sup>3</sup>

So potent and so extended is this principle that it has been applied in sustaining the effect of judicial proceedings which otherwise would fall for want of jurisdiction; for a defendant in a judgment which is void for lack of jurisdiction, may in equity be estopped by his conduct from questioning it on that ground.<sup>4</sup>

**284. A party may be estopped by the concealment of the truth; *Pickard v. Sears*.**

The concealment of the truth often operates as an estoppel. It has been forcibly said that if a man is silent when it is his duty to speak, he shall not be permitted to speak when it is his duty to be silent.<sup>5</sup> Of this doctrine the leading case of *Pickard v.*

<sup>1</sup> *Congregation v. Williams*, 9 Wend. 147; 2 Sm. L. C. 643. Also, *Hefner v. Vandolah*, 57 Ill. 520; *Winchell v. Edwards*, Id. 41; *Leeper v. Hersman*, 58 Id. 218; *Horn v. Cole*, 51 N. H. 287; *Alexander v. Ellison*, 79 Ky. 148; *Rudd v. Matthews*, Id. 479; *Robb v. Shephard*, 50 Mich. 189; *Dodge v. Pope*, 93 Ind. 480; *Plummer v. Farmers' Bank*, 90 Id. 386; *Keating v. Orne*, 77 Pa. 93; *Mowry's Appeal*, 94 Id. 376; *Hill v. Wand*, 47 Kan. 340; *Wright v. McCord*, 113 Ga. 881; *Lick v. Munro*, 8 Idaho, 510.

<sup>2</sup> *Nass v. Vanswearingen*, 10 S. & R. 146; *Buchanan v. Moore*, 13 Id. 304; *Comm. v. Molts*, 10 Pa. 531;

*Miles v. Lefi*, 60 Ia. 168; *Nichols v. Crosby*, 87 Tex. 443; *Norfolk & West. R. R. v. Perdue*, 40 W. Va. 442; *Two Rivers Manuf. Co. v. Day*, 102 Wis. 328.

<sup>3</sup> See *post*, § 288, and cases cited.

<sup>4</sup> *Davis v. Wakelee*, 156 U. S. 680. See, also, *Abbot v. Wilbur*, 22 La. Ann. 368; *Philadelphia, etc., R. R. v. Howard*, 13 How. 337; *Railway Company v. McCarthy*, 96 U. S. 258.

<sup>5</sup> *Niven v. Belknap*, 2 Johns. R. 573. See *Logan v. Gardner*, 136 Pa. 600; *Morgan v. Railroad Company*, 96 U. S. 716; *McPherson v. Berry*, 92 Ia. 64; *Radant v. Werheim Mfg. Co.*, 106 Wis. 600; *Harris v. Am. B. & L.*

Sears<sup>1</sup> is an illustration. A mortgagee of personalty was there held to be estopped from asserting his title under the mortgage, because he had passively acquiesced in a purchase of the same by the defendant under an execution against the mortgagor.<sup>2</sup> Another illustration may be found in the case, which not unfrequently occurs, of a party being estopped from taking objections to the form of an instrument because he was silent as to those objections at the time of the tender.<sup>3</sup>

Ass'n, 122 Ala. 545; *Smith v. Fletcher*, 75 Minn. 189; *McDonald v. Beatty*, 10 N. Dak. 511; *Biggs v. Utah Co.*, 7 Ariz. 351; *Peabody v. Damon*, 16 Haw. 447.

Where a tenant by the curtesy executes an oil lease without the remaindermen, a son and two daughters, joining in the lease, and subsequently the three remaindermen bring a joint action of trespass against the lessee to recover damages for the taking of oil, and there is sufficient evidence to constitute an estoppel against the son, although no evidence of estoppel against the daughters, a joint recovery is defeated, and a verdict and judgment for the defendant will be sustained. In such a case there is sufficient evidence to constitute an estoppel against the son, where it appears that he had urged the taking of the lease in the first instance from his father, had encouraged the expenditure of money by the lessees in developing the lease, had worked on the lease at different times for several years, and had received checks made payable to his own order for a number of years for the royalty due under the lease for oil run into the pipe line in the name of his father. *McIntosh v. Ropp*, 222 Pa. 606.

<sup>1</sup> 6 Ad. & El. 469. See, also, *Winton v. Hart*, 39 Conn. 16; *Railroad Co. v. Dubois*, 12 Wall. 47; *Chapman v. Chapman*, 59 Pa. 214; *Epley v. Witherow*, 7 Watts, 165; *Carr v.*

*Wallace*, Id. 400; *St. Paul's Ref. Ch. v. Hower*, 191 Pa. 314; *Redmond v. Saving Fund*, 194 Id. 647; *Paine v. Bank*, Id. 408; *Hogan v. Peterson*, 8 Wyo. 549; *Collier v. Pfenning*, 34 N. J. Eq. 22, and *Sutton v. Con. Apex Min. Co.*, 14 S. Dak. 33.

<sup>2</sup> But such estoppel will not arise as against the officer by whom the seizure is made, or his bondsmen, *Schilling v. Black*, 49 Kan. 552; *Smith v. Caldwell*, 22 Mont. 331; nor between the mortgagor and mortgagee. *Richardson v. Coffman*, 87 Iowa, 121. See, also, *Hamilton v. Carter*, 12 Wash. 510, and *Wampol v. Kountz*, 14 S. Dak. 334.

<sup>3</sup> Or to deny the line between his own and the adjoining land to be the true line if he has induced another to purchase and has sold and conveyed land up to such line. *Allyn v. Schultz*, 5 Ariz. 160. See, for instances of estoppel by silence, *Hope v. Lawrence*, 50 Barb. 258; *Blake v. Exch. Ins. Co.*, 12 Gray, 265; *Hoxie v. Home Ins. Co.*, 32 Conn. 21; *Cambridge v. Littlefield*, 6 Cush. 210; *Ford v. Williams*, 24 N. Y. 359; *Gregg v. Von Phul*, 1 Wall. 274; *Hill v. Epley*, 31 Pa. 334; *Maple v. Kusart*, 53 Id. 348; *Abrams v. Seale*, 44 Ala. 297; *Guthrie v. Quinn*, 43 Id. 561; *Tobias v. Josiah Morris & Co.*, 126 Ala. 535; *Southern Railway Co. v. Hood*, Id. 312; *Ives v. North Canaan*, 33 Conn. 402; *Smith v. Smith*, 30 Id. 111; *Newell v. Nixon*, 4 Wall. 572; *Weber v. Weatherby*, 34 Md.

Under the same principle, also, has been placed another class of cases, namely, that which embraces instances in which an inventor who has made his discovery public looks on and permits others to use it, without objection or assertion of a claim to royalty. In such a case the inventor is held to have abandoned his inchoate right, and to be estopped from its subsequent assertion; and this is so in cases in which a single individual has been permitted by the patentee to use his invention without compensation.<sup>1</sup>

But silence will not always work an estoppel, for silence may not always be inequitable,<sup>2</sup> and, moreover, a person is not bound under all circumstances to speak out.<sup>3</sup> He may not, for example, be bound to declare that which is a matter of record, and of which he has a right to presume the other party has notice.<sup>4</sup> Nor will he be estopped by silence when he has had no opportunity to speak.<sup>5</sup>

656; *Fletcher v. Holmes*, 25 Ind. 458; *Stagg v. Ins. Co.*, 10 Wall. 589; *Booth v. Wiley*, 102 Ill. 84; *Moffitt v. Adams*, 60 Ia. 44; *Silloway v. Neptune Ins. Co.*, 12 Gray, 73; *Husted's Appeal*, 34 Conn. 488; *Young v. Vough*, 23 N. J. Eq. 325; *Muncey v. Joest*, 74 Ind. 409; *Roszell v. Roszell*, 109 Id. 354; *Slocumb v. C., B. & Q. R. Co.*, 57 Ia. 675; *Sayers v. Collyer*, 28 Ch. D. 103; *Dodge v. Lansing Traction Co.*, 152 Mich. 100; *Lydick v. Gill*, 68 Neb. 273; *Battery Park Bank v. Bank*, 138 N. C. 467; *United Shoe Co. v. Bresnahan Co.*, 197 Mass. 206.

<sup>1</sup> See *Gill v. United States*, 160 U. S. 426; and pp. 430 *et seq.*, where the principle is stated by Mr. Justice Brown and the decisions are reviewed. See, also, *Tygart-Allen Fertilizer Co. v. Tygart Co.*, 191 Pa. 336-345, a case of acquiescence in the use of a trade name.

<sup>2</sup> See *Lawrence v. Luhr*, 65 Pa. 241; *Harrison v. McReynolds*, 183 Mo. 533; *Lake Roland Elev. Ry. Co. v. Hibernian Soc.*, 83 Md. 420; *Chafee v. City of Aiken*, 57 S. C. 507.

<sup>3</sup> See *Proctor v. Bennis*, 36 Ch. D. 740; *Corning v. Troy Factory*, 39

Barb. 311; 40 N. Y. 191; *Shaw v. Spencer*, 100 Mass. 382; *Watson v. Knight*, 44 Ala. 352; *Hopper v. McWhorter*, 18 Id. 229; *Taylor v. Ely*, 25 Conn. 250; *Spencer v. Carr*, 45 N. Y. 406; *Elliott v. Ins. Co.*, 66 Pa. 26; *Verrier v. Guillou*, 97 Id. 63; *Counterman v. Dublin*, 38 Ohio, 515.

<sup>4</sup> *Rice v. Dewey*, 54 Barb. 455; *Bales v. Perry*, 51 Mo. 449; *Sumner v. Seaton*, 47 N. J. Eq. 103; *Southern B. & L. Assn. v. Page*, 4 W. Va. 302; *Clark v. Parsons*, 69 N. H. 147; *Wiser v. Lawler*, 189 U. S. 271. But it must be remembered that registration is not sufficient notice to prevent an estoppel where the conduct which creates the estoppel is an affirmative act or word as distinguished from silence. *Morris v. Herndon*, 113 N. Car. 236; *Anderson v. Phlegar*, 93 Va. 415; *Two Rivers Mfg. Co. v. Day*, 102 Wis. 328; *Eastwood v. Standard Mines Co.*, 11 Idaho, 195.

<sup>5</sup> *Davidson v. Barclay*, 63 Pa. 417; *Collier v. Miller*, 137 N. Y. 332; *Priewe v. Wisconsin State Land & Imp. Co.*, 103 Wis. 537; *Yeager v. Woodruff*, 17 Utah, 361; *Norton v. Tufts*, 19 Id. 470.

**285. Conduct which works an estoppel must be external to the contract.**

Estoppel by conduct must consist in something which is external to the contract or transaction. To explain: the obligor in a bond may have a good defence to any action on the instrument by reason of its having been obtained by fraud or duress. Such obligor might be estopped from setting up such a defence against an innocent assignee, if the assignment had taken place upon the faith of his assertion that no defence existed. That would be an estoppel, and it would arise out of something external to the contract. But if no such assertion had been made, and the assignee were simply to argue that the obligor of the bond was estopped by the recital contained in the bond that "he was justly indebted" from showing that in fact he was *not* justly indebted, such an argument would be unsound, because, in that case, the estoppel would be attempted to be founded upon something in the contract itself, and this cannot be done. The reason of this distinction is simply that if the very words of a contract are to be taken as a representation of facts, which estops the party who makes the obligation from interposing a defence inconsistent with that representation, then all contracts must be deemed valid which appear to be so on their face, and neither usury, nor duress, nor fraud could any longer be alleged in defence.<sup>1</sup>

**286. Representations between party alleging estoppel and party estopped.**

The representation which works an estoppel may sometimes take place in a transaction effected between the party alleging the estoppel and the party estopped.<sup>2</sup> In other words, the parties to the transaction and the parties to the estoppel may be the same. Under this doctrine fall those cases in which a defence to a contract, which might otherwise have been taken, has been waived by the conduct of the party. Thus, a common instance is found in the cases in which insurance companies have been held incapable of raising objections to the insufficiency of preliminary proofs of loss, because they have by their conduct dispensed with the requirements of their policies.<sup>3</sup>

<sup>1</sup> *Wilkinson v. Searcy*, 74 Ala. 243;  
*Knapp v. Bailey*, 79 Me. 195; *Bridger*  
*v. Goldsmith*, 143 N. Y. 424.

<sup>2</sup> *Clark v. Simson*, 22 N. Y. 312;  
*Bigelow on Estoppel*, 480 (1st ed.).

<sup>3</sup> *Blake v. Exchange Ins. Co.*, 12

### 287. Representations between party alleging estoppel and third party.

On the other hand, the representations which give rise to an estoppel may occur in a transaction which takes place between the party alleging the estoppel and some third party; in other words, the parties to the transaction and to the estoppel may be different. This embraces by far the largest class of estoppels by conduct, and is a species of estoppel which receives its greatest encouragement in courts of equity, and, therefore, most strictly deserves the term of equitable estoppel. Under this head fall the case of *Pickard v. Sears*,<sup>1</sup> cited above, and all those numerous cases in which a party is prevented from asserting his title because, by active encouragement or equally effective silence, he has induced third parties to believe that no such title exists, and they have expended money, or in some way altered their position on the faith of such supposed non-existence.<sup>2</sup>

Thus, it has been often held, that, where the owner of real estate encouraged another to erect valuable improvements upon the land, he was precluded from subsequently asserting his title.<sup>3</sup> So, if the owner of an estate stands by and sees another

Gray, 265; *Hoxie v. Home Ins. Co.*, 32 Conn. 21; *McCormick v. Ins. Co.*, 163 Pa. 184; *Roberts v. Northwestern Nat. Ins. Co.*, 90 Wis. 210; *Highlands v. Fire Ins. Co.*, 177 Pa. 566 (a case in which the company was estopped from denying the validity of a parol assignment); *Kalmuts v. Ins. Co.*, 186 Id. 576; *Farmers' Fire Ins. Co. v. Baker*, 94 Md. 545; *Bigelow on Est.* 662 (5th ed.).

<sup>1</sup> 6 Ad. & El. 469. See *Thweatt v. McCullough*, 84 Ala. 517; *Gruber v. Baker*, 20 Nev. 453; *Redmond v. Excelsior Saving Fund*, 194 Pa. 647; *Bodkin v. Arnold*, 45 W. Va. 90.

<sup>2</sup> One who acts in reliance upon a representation not addressed to nor intended for him, does so at his own risk, and cannot make it the basis of an estoppel. *Weidemann v. Springfield Co.*, 78 Conn. 660.

Positive acts on the part of the true owner of land which induce an innocent party to deal with it as if

the title were in another, will estop him from setting up title in himself, even though he was ignorant of his title and no fraud was actually intended. *Chambers v. Bookman*, 67 S. C. 432.

<sup>3</sup> *Leeds v. Amherst*, 2 Phil. 117; *Lewis v. Baker*, 162 Pa. 510; *Favill v. Roberts*, 50 N. Y. 222; *Wendell v. Van Rensselaer*, 1 Johns. Ch. 354; *Storrs v. Barker*, 6 Id. 166 (cf. with this case *Lamot v. Bowly*, 6 H. & J. 500); *Truesdail v. Ward*, 24 Mich. 134; *Schafer v. Wilson*, 113 Iowa, 475; *Smith v. McNeal*, 68 Pa. 164; *Browne v. Trustees Baltimore Church*, 37 Md. 108, 124; *Walker v. Flint*, 3 McCrary, 507; *Peery v. Hall*, 75 Mo. 503; *Reichert v. Railway*, 51 Ark. 491. But see *St. Louis S. & R. Co. v. Green*, 4 McCrary, 232, where the estoppel was limited to the improvements; also *Kelly v. Wagner*, 61 Miss. 298; *Two Rivers Mfg. Co. v. Day*, 102 Wis. 328; *Mallory v. Kes-*

expend money upon an adjoining estate, the latter relying upon an existing right of easement in the other estate, without which such expenditure would be useless, and does not interpose to prevent the work, he will not be permitted to interrupt the enjoyment of such easement.<sup>1</sup>

Under the same head fall those cases in which a party has been held to be precluded from denying that he occupied a certain position by reason of his having permitted himself to be held out to others as having occupied it. As, for instance, a man who allows his name to appear as a shareholder, to induce others to take stock, is estopped from denying that he is such. It would be a fraud upon those who are induced to part with their money by this holding out, if he were afterwards allowed to falsify it.<sup>2</sup>

Instances of a like character might be multiplied. A man who holds himself out as a partner, is estopped, as against those who have dealt on the faith of such holding out, from denying the partnership; a man who permits another to place his name upon a chattel, and thus appear to the world to be the owner thereof, cannot assert his title as against one who buys upon the faith of such apparent ownership; a corporation which, by its certificates, represents its shares to be full paid, is estopped, as against a party who has acted on the faith of the statement, from denying that the shares are paid in full; if the owner of property transfers to another the indicia of ownership and of the right of disposition and acknowledges that the transferee has paid him a consideration, he is estopped from asserting his title as against a person to whom such third party has disposed of the property and who took it in good faith; and, in fine, where actions or words lead others to believe in the existence of certain facts, the party inducing such belief will not be permitted to allege the contrary of the facts for which he has vouched.<sup>3</sup>

ler, 18 Utah, 11; *Hagan v. Ellis*, 39 Fla. 463; *Latimer v. Marchbanks*, 57 S. C. 267.

<sup>1</sup> *Brooks v. Curtis*, 4 Lans. (N. Y.) 283; *Green v. Smith*, 57 Vt. 268; *Washburn on Easements*, 62, 63.

<sup>2</sup> *Bridger's Case*, L. R. 9 Eq. 74; *Mitchell's Case*, Id. 363; *Towne v. Sparks*, 23 Neb. 142.

<sup>3</sup> *Am. & Eng. Enc. of Law*, vol. 17,

p. 879; *Bissel v. Warde*, 129 Mo. 439; *O'Connor v. Clark*, 170 Pa. 318; *Parbury's Case* [1896], 1 Ch. 100; *Rimmer v. Webster* [1902], 2 Ch. 170; *Lawrence County Bank v. Arndt*, 69 Ark. 406; *Ludington v. Patton et al.*, 111 Wis. 208; *Hurlburt v. Arthur*, 140 Cal. 103; *Home Bank v. Stewart*, 78 Neb. 624.

**288. Representations need not be known to be false by party making them.**

When it is claimed that an estoppel consists in or arises from silence, such a claim cannot be successfully maintained unless the silence has amounted to wilful concealment, or unless acquiescence has been with a full knowledge of one's rights.<sup>1</sup> Where one silently acquiesces in the assertion of an adverse right under a mistaken impression as to his own, he will not be estopped. Thus, where the owner of land has allowed the owner of adjoining lots to build over the boundary line under a mistaken impression in regard to the extent of his own property, such acquiescence in adverse user, short of the time required by the Statute of Limitations, will not deprive the party of his rights, because he is under no obligation to assert a title of the existence of which he is ignorant.<sup>2</sup> If, however, the acquiescence is marked by gross negligence, the conduct of the party who thus unintentionally, but negligently, misleads another, may preclude him.<sup>3</sup>

Where, however, the estoppel springs not from silence but from positive assertion, the rule is different, and one may be estopped by his statements, no matter how innocently made, if they have been acted upon by another, and if it would be unjust to that other to deprive him of rights which he has thus acquired. In such cases the principle is that where there are two innocent persons, he whose mistake, or oversight, or carelessness (even though not wilful) has caused the loss, must suffer. In the Pennsylvania case of *Buchanan v. Moore*<sup>4</sup> the point was whether a defendant in an execution was estopped from subsequently claiming title to land which, in point of fact, had not been included in the levy, by his statements, at the sale, that it was so included. It was held that he was estopped; and although, of

<sup>1</sup> *Scrutchfield v. Sauter*, 119 Mo. 615.

<sup>2</sup> *Liverpool Wharf v. Prescott*, 7 Allen, 494; 4 Id. 22; *Thayer v. Bacon*, 3 Id. 163; *Brewer v. Boston & W. R. Co.*, 5 Me. 478; *Proctor v. Putman Machine Co.*, 137 Mass. 159; *Raynor v. Timerson*, 51 Barb. 517; *Laverty v. Moore*, 33 N. Y. 668; *Reed v. McCourt*, 41 Id. 435; *Rutherford v. Tracy*, 48 Mo. 325; *Kincaid v. Dormey*, 51 Id. 552; *Chase's Appeal*,

57 Conn. 236; *Schraeder Mining Co. v. Packer*, 129 U. S. 688; *York Park Building Ass'n v. Barnes*, 39 Neb. 834; *Bell v. Marsh* [1903], 1 Ch. 528.

<sup>3</sup> *Ante*, § 284, and cases cited.

<sup>4</sup> 13 S. & R. 304. See *Kinney v. Service*, 101 Mich. 185; *Kahn v. Peter*, 104 Ala. 523; *State v. Branch*, 134 Mo. 592; *Cornell University v. Parkinson*, 59 Kan. 365; *Nickerson v. Massachusetts Title Ins. Co.*, 178 Mass. 308.



course, no legal title passed by the sheriff's deed, the purchaser acquired a good equitable title by virtue of the estoppel. The court, in deciding this case, said that the declarations would estop the party making them "whether such declaration proceeded from *design* or a *misapprehension of the fact*." The same rule has been recognized by the English Court of Appeal. Early in the century Sir William Grant, Master of the Rolls, had decided that where a trustee had informed one who was about to make a loan to the *cestui que trust*, on the credit of the trust estate, that the estate was unencumbered, the trustee was estopped from afterward denying this statement;<sup>1</sup> and, in commenting on this decision, Lord Justice Lindley, in the case of *Low v. Bouverie*,<sup>2</sup> said: "The trustee, *even if he acted honestly*, which is, perhaps, questionable, was clearly estopped from denying that the share was unencumbered." In *Low v. Bouverie* the point upon which the decision ultimately turned was whether the plaintiff had, in fact, relied upon the representations made in the letters written by the trustee, upon the subject of encumbrances against the trust estate, in answer to the plaintiff's inquiries, and it was held that he had not. Under the well-settled rule, therefore, that an estoppel to be effective must have been relied upon, the plaintiff failed; but the case is important in regard to the doctrine now under consideration, from the examination which that doctrine received.<sup>3</sup>

**289. Must operate to deceive the party to whom they are made.**

The party setting up the estoppel must actually be deceived by the conduct of the other party. If he acts with a full knowledge of the rights and title of the other party, he cannot complain if that title is subsequently asserted. There can be no fraud when all the parties interested are equally informed of all the facts and mutually assent to them.<sup>4</sup>

<sup>1</sup> *Burrowes v. Lock*, 10 Ves. 470.

<sup>2</sup> [1891] 3 Ch. 101; a case similar in its main features to *Burrowes v. Lock*.

<sup>3</sup> *Low v. Bouverie* [1891], 3 Ch. 101. See the language of the court in *Beaupland v. McKean*, 28 Pa. 131; and in *Logan v. Gardner*, 136 Id. 600. See, also, *Miller's Appeal*, 84 Pa. 395; *Putnam v. Tyler*, 117 Id. 586; *Lam-*

*mon v. Hartsook*, 80 Mo. 13; *Robbins v. Moore*, 129 Ill. 30; *Manufac. Nat. Bank v. Swift*, 70 Md. 515; *Schults v. McLean*, 93 Cal. 329; *Wetmore v. Royal*, 55 Minn. 162; *Story's Eq.* § 1537.

<sup>4</sup> *Rapalee v. Stewart*, 27 N. Y. 310; *Bales v. Perry*, 51 Mo. 449; *Hepburn v. McDowell*, 17 S. & R. 383; *Richards v. Railroad Co.*, 137 Pa. 531; *Wallis*

This rule, moreover, has been applied where the knowledge is that of an agent, and although the principal may be ignorant of the facts.<sup>1</sup>

Where the facts are known to both parties, the statement of an opinion upon a question of law will not work an estoppel.<sup>2</sup>

And the same rule applies where both parties have equal means of *ascertaining* the facts.<sup>3</sup>

### 290. Intention that conduct should be acted on must exist.

The party against whom an estoppel is alleged must *intend* that his conduct should be acted upon, although he may not have intended to deceive.<sup>4</sup>

If there is no intention that the conduct should be an inducement to the action of others, there can be no estoppel by such conduct.<sup>5</sup> On the other hand, if there is an intention that the representation shall be relied upon by the other party, there will be an estoppel, although the representation may have been innocently made, and without an intention to deceive.<sup>6</sup>

*v. Truesdell*, 6 Pick. 455; *Whitney v. Holmes*, 15 Mass. 152; *Welland v. Hathaway*, 8 Wend. 480-2; *Lewis v. Ford*, 67 Ala. 143; *Stanton v. Mfg. Co.*, 90 Mich. 12; *Estis v. Jackson*, 111 N. C. 145; *Western Land Association v. Banks*, 80 Minn. 317.

In order to create an estoppel *in pais* the party pleading it must not only have been misled, but he must also have suffered a loss of a substantial character, or have been induced to alter his position for the worse in some material respect. Where a purchaser of real estate at a sheriff's sale avers that he was induced to buy the property by a statement made to him by a mortgagee of the property that the lien of the mortgage had been released, he cannot establish an estoppel against the mortgagee unless he shows by evidence of a clear and convincing character not only that the statement averred was made to him, but also that he sustained a loss by relying upon it. *Schwab v. Edge*, 214 Pa. 602.

<sup>1</sup> *Davis v. Kneale*, 97 Mich. 72.

<sup>2</sup> *Sturm v. Boker*, 150 U. S. 312.

<sup>3</sup> *Debenture Co. v. Hopkins*, 63 Kan. 678.

<sup>4</sup> *Freeman v. Cooke*, 2 Exch. 653; *In re Bahia & San Francisco Ry.*, L. R. 3 Q. B. 584; *Easton v. London, etc., Bank*, 34 Ch. D. 95; *Wheeler v. Campbell*, 68 Vt. 98; *Beals v. Cone*, 27 Colo. 473. But see *Griffeth v. Brown*, 76 Cal. 280. As to what is meant by intention that conduct shall be acted upon in estoppel, see *Tiffany v. Anderson*, 55 Ia. 405; *Ford v. Fellows*, 34 Mo. App. 630.

<sup>5</sup> *Holdane v. Cold Spring*, 21 N. Y. 474; *Mayenborg v. Haynes*, 50 Id. 675; *N. Y. Rubber Co. v. Rothery*, 107 Id. 310; *Kuhl v. Mayor of Jersey City*, 23 N. J. Eq. 84; *Wheeler v. Campbell*, 68 Vt. 98; *Scott v. Moore*, 98 Va. 668; *Atkinson v. Plum*, 50 W. Va. 104; *Porter v. Hardy*, 10 N. Dak. 551; *Kirchman v. Standard Coal Co.*, 112 Ia. 668; *Laing v. Evans*, 64 Neb. 454.

<sup>6</sup> *In re Bahia & San Francisco Ry.*, L. R. 3 Q. B. 584; *Mills v. Fox*, 37

The only exceptions to the rule as above stated appear to be the cases of *Cornish v. Abington*,<sup>1</sup> and *Manufacturers' Bank v. Hazard*,<sup>2</sup> in which it was held that parties were estopped who had no intention whatever that their action should be relied upon by others. But these cases seem referable to the ground of negligence.

**291. Estoppel must be actually produced by the conduct.**

It is essential to an estoppel that it should be acted upon; that is to say, the conduct which is alleged to have produced an estoppel must actually have been the inducing cause for the action of the party who seeks to set it up.<sup>3</sup> This may be illustrated by cases of dedication. If a man dedicates real estate to public use, it is with the understanding that such dedication shall be accepted and acted upon by the public. If the public fail to act upon the dedication, there can be no estoppel; for if no such action has taken place, it will be considered that the offer of dedication has not been accepted, and that, therefore, no estoppel has ensued.<sup>4</sup> On the other hand, if the dedication has been acted upon, this will be deemed an acceptance of the offer to dedicate, and the change in the position of the parties thus gives a contractual character to the admission which it would not otherwise possess.<sup>5</sup>

Many other instances, also, may be found in the books which are illustrative of the same principle, viz., that an estoppel must be acted upon, or, in other words, that the party setting up the estoppel must have sustained actual damage.<sup>6</sup>

Ch. D. 153; *Continental Nat. Bank v. Nat. Bank of the Comm.*, 50 N. Y. 575; *Gilbert v. Groff*, 28 Hun, 50; *Kirk v. Hartman*, 63 Pa. 106; *Bidwell v. Pittsburg*, 85 Id. 417.

<sup>1</sup> 4 Hurl. & N. 549. See, also, *Tobias v. Josiah Morris & Co.*, 126 Ala. 535; *Mercantile Co-operative Bank v. Brown*, 96 Va. 614; *Smith v. Boyd*, 162 Mo. 146.

<sup>2</sup> 30 N. Y. 226; *Horn v. Cole*, 51 N. H. 287; *Big. on Est.* 631 *et seq.* (5th ed.); *Marine Iron Works v. Wiess*, 148 Fed. Rep. 145.

<sup>3</sup> *State v. Laies*, 52 Mo. 396; *Van Deusen v. Sweet*, 51 N. Y. 378; *N. Y. Rubber Co. v. Rothery*, 107 Id. 310;

*O'Mulcahy v. Holly*, 28 Minn. 31; *Monks v. Belden*, 80 Mo. 639; *Sensinger v. Boyer*, 153 Pa. 628; *Anderson v. Walker*, 93 Tex. 119; *Nat. Bank v. Bielharz*, 94 Id. 493; *Repass v. Richmond*, 99 Va. 508; *Smith v. Brown*, 4 Ariz. 358; *Parkey v. Ramsey*, 111 Tenn. 302.

<sup>4</sup> *Baker v. Johnston*, 21 Mich. 319; *Hague v. West Hoboken*, 23 N. J. Eq. 354.

<sup>5</sup> *Wharton on Evidence*, § 1152.

<sup>6</sup> *Howard v. Hudson*, 2 El. & B. 1; *Stimson v. Farnham*, L. R. 7 Q. B. 175; *Hill v. Epley*, 31 Pa. 334; *Patterson v. Lytle*, 11 Id. 53; *Musser v. Oliver*, 21 Id. 362; *Troxell v. Lehigh*

### 292. Estoppel is limited to the representations made.

It is important to consider to what extent, against whom, and in whose favor an estoppel may operate.

It is a sound and just rule that the estoppel will be limited to the representation made. Thus, where a sheriff had a writ against A., but took B. into custody upon the false representation by B. that she was the party named in the writ, but detained her in custody after notice that she was not the party intended, it was held that, although B. might be estopped from recovering damages for a false arrest, she would not be estopped from an action for the subsequent detention. The estoppel could not operate to justify the detention, for after notice that B. was not the real party the sheriff was no longer deceived by the representation.<sup>1</sup>

An estoppel must be mutual. One who is not bound by it cannot take advantage of it.<sup>2</sup>

### 293. Estoppels in the cases of married women and infants.

It is sometimes difficult to determine whether estoppel by conduct will operate against married women and infants; and the cases on this subject are to a certain extent conflicting.<sup>3</sup> The true rule seems to be this: The contract of a person under disability cannot be made good by estoppel. Thus, if a married woman entered into an agreement (which, being made by a married woman, is void) for the sale of real estate, the circumstance that the purchaser went into possession under the contract, and made valuable improvements with the consent and encouragement of 'the *feme*, would not operate to estop the latter, because, as no remedy could possibly be had upon the void contract, it would be against the policy of the law to allow

Crane Iron Co., 40 Id. 315; Ayres v. Wattson, 57 Id. 360; Railroad Co. v. Dubois, 12 Wall. 47. See, also, Barker v. Binninger, 14 N. Y. 270; Malloney v. Horan, 49 Id. 111; Rivard v. Gardiner, 39 Ill. 125; Schmakz v. Avery, 16 Q. B. 655; Helme v. Philadelphia Life Ins. Co., 61 Pa. 107; Lingonner v. Ambler, 44 Neb. 316; Mason v. City of Chicago, 163 Ill. 351; State Savings Bank v. Montgomery, 126 Mich. 327; Murray v. Rugg, 116 Id. 519; Wharton's Evi-

dence, §§ 1150, 1155; Citizens' Bank v. Burrus, 178 Mo. 716.

<sup>1</sup> Dunston v. Paterson, 2 C. B. (N. S.) 495; Tilton v. Nelson, 27 Barb. 595; Murray v. Jones, 50 Ga. 109; Bigelow on Estoppel, 582 (5th ed.).

<sup>2</sup> C. & A. R. R. v. Keegan, 152 Ill. 413; Spinney v. Downing, 108 Cal. 606. See, also, Geiler v. Littlefield, 148 N. Y. 603.

<sup>3</sup> Bigelow on Estoppel, 599 et seq. (5th ed.).

the same result to be reached through the indirect medium of an estoppel.<sup>1</sup> Nor would the case of the purchaser be made any better if the woman had represented herself to be *sole*.

Such a representation could amount to no more than a covenant that she was *sole*, and her coverture would render such a covenant, as well as all others, void.<sup>2</sup>

But while an estoppel could not have the effect of rendering a married woman's contract valid, it might, nevertheless, in the absence of any agreement, operate to prevent her from asserting a right. Thus, if a married woman were to encourage A. to buy property of B., knowing that the title was not in B., but in herself, she would be estopped from subsequently asserting her title against A., for in this case there would be no attempt to enforce a contract of the married woman, either directly or indirectly, and, therefore, there would be no reason for not applying the ordinary doctrine of estoppel.<sup>3</sup> And so, also, it has been held that where a married woman allows stock, bought with her money, to stand in her husband's name in order to give him a credit, she would be estopped from asserting her ownership as against his creditors.<sup>4</sup>

<sup>1</sup> *Drury v. Foster*, 2 Wall. 24; *Lowell v. Daniels*, 2 Gray, 161; *Bemis v. Call*, 10 Allen, 512; *Merriam v. Boston R. Co.*, 117 Mass. 241; *Nat. Granite Bank v. Tyndale*, 176 Id. 547; *Glidden v. Strupler*, 52 Pa. 400; *Rumfelt v. Clemens*, 46 Id. 455; *Keen v. Coleman*, 39 Id. 299; *Keen v. Hartman*, 48 Id. 497; *Williams v. Baker*, 71 Id. 476; *Innis v. Templeton*, 95 Id. 262; *Davison's Appeal*, Id. 394; *Grim's Appeal*, 105 Id. 385; *Stivers v. Tucker*, 126 Id. 74; *Morrison v. Wilson*, 13 Cal. 494; *Rangeley v. Spring*, 21 Me. 130; *Concord Bank v. Bellis*, 10 Cush. 276; *Miles v. Lingerman*, 24 Ind. 385; *Kane Co. v. Herrington*, 50 Ill. 232; *Schnell v. Chicago*, 38 Id. 382; *Davidson v. Young*, Id. 146; *McLauren v. Wilson*, 16 S. C. 402; *Dobbin v. Cordiner*, 41 Minn. 165; *Daniel v. Mason*, 90 Tex. 240; *Smith v. Ingram*, 132 N. C. 959.

<sup>2</sup> *Liverpool Ass'n v. Fairhurst*, 9

*Ex. 422; Buchanan v. Hubbard*, 96 Ind. 1.

<sup>3</sup> *Connolly v. Branstler*, 3 Bush, 702; *Drake v. Glover*, 30 Ala. 382; *McCullough v. Wilson*, 21 Pa. 436; *Couch v. Sutton*, 1 Gr. Cas. 114; *Brinkerhoff v. Brinkerhoff*, 23 N. J. Eq. 477, 483; *Carpenter v. Carpenter*, 25 Id. 194; *Stout v. Allison*, 15 Brad. 222; *Hendershott v. Henry*, 63 Ia. 744. See *Bennett v. Strait*, Id. 620; *Jackson v. Torrence*, 83 Cal. 521; *Gray v. Crockett*, 35 Kan. 66; *Galbraith v. Lunsford*, 87 Tenn. 89; *Government Building Institution v. Denny*, 154 Ind. 261; *Magel v. Milligan*, 150 Ind. 582, and *Johnson v. Mutual Life Ins. Co.*, 113 Ky. 871.

<sup>4</sup> *Hamlen's Admr. v. Bennett*, 52 N. J. Eq. 70; *Mertens v. Schlemme*, 68 N. J. Eq. 544; *Cowling v. Hill*, 68 Ark. 350; *Locklin v. Davis*, 71 Vt. 321; *Galvin v. Britton*, 151 Ind. 1.

Still more does the same rule apply to the conduct of an infant whereby he permits or encourages a purchaser to buy an estate of another. Under such circumstances, the infant will be equitably estopped from asserting his right to the estate.<sup>1</sup> After coming of age, an infant may affirm his deed by much less formal acts than would be sufficient to avoid it; and clearly by any act which amounts to an estoppel.<sup>2</sup>

But, on the other hand, where the attempt is made to enforce a contract of a minor through the agency of estoppel, such an attempt will fail, just as in the case of contracts of *femes covert*.<sup>3</sup>

An estoppel *in pais* does not operate in favor of everybody. It operates only in favor of a person for whom it was intended,<sup>4</sup> and who has been misled to his injury; and he only can set it up.<sup>5</sup>

#### 294. Estoppels bind parties and privies.

An estoppel binds not only parties but privies.

Privies are of three kinds—of blood, of law, and in estate.<sup>6</sup> The application of the doctrine that estoppels bind privies is more striking in the case of estoppels by record and by deed; but it may be said that the same general rules apply to estoppels by conduct, and that persons may be precluded from asserting rights by the speech, the silence, or the action of those as to whom they may have "mutual or successive relationship to the same rights of property."<sup>7</sup> But a privy in estate may be relieved from the effect of an estoppel, if he fills the position of

<sup>1</sup> *Overton v. Banister*, 3 Hare, 503; *Thompson v. Simpson*, 2 Jon. & L. 110; *Stikeman v. Dawson*, 1 De G. & S. 90; *Eaton v. Nicholas*, Id. 118; *Wright v. Snowe*, 2 Id. 321; *Unity Ass'n v. King*, 3 De G. & J. 64; *Nelson v. Stocker*, 4 Id. 458; *Hall v. Timmons*, 2 Rich. Eq. 120; *Whittington v. Wright*, 9 Ga. 23; *Gibson's Estate*, 15 Phila. 582; *Bigelow on Estoppel*, 606 *et seq.* (5th ed.); *Oslander v. Quin*, 84 Miss. 230.

<sup>2</sup> *Logan v. Gardner*, 136 Pa. 599, and cases cited in the opinion.

<sup>3</sup> *Wisland v. Kobick*, 110 Ill. 16. See *Burk v. Adams*, 80 Mo. 504. It

has been held that, in some cases, equity will refuse its aid to cancel the deed. *Ryan v. Grownney*, 125 Mo. 474.

<sup>4</sup> *Irish-Am. Bank v. Ludlum*, 49 Minn. 344.

<sup>5</sup> *Ketchum v. Duncan*, 96 U. S. 696.

<sup>6</sup> *Duchess of Kingston's Case*, 2 Sm. Lead. Cas. 658, and notes.

<sup>7</sup> *Bigelow on Estop.* 345 *et seq.*; *Wood v. Seely*, 32 N. Y. 105; *Union Dime Savings Ins. v. Wilmot*, 94 Id. 221; *Parker v. Crittenden*, 37 Conn. 148; *Graves v. Rogers*, 59 N. H. 452; *Equitable Loan Co. v. Lewman*, 124 Ga. 190.

a *bona fide* purchaser for value without notice of the right or title of the party in whose favor the estoppel is asserted.<sup>1</sup>

It has also been justly observed in a recent case in New York, that "estoppels operate not only in favor of the party misled to his prejudice by the statement, but also in favor of his privies in blood or estate."<sup>2</sup>

An estoppel cannot operate if the conduct of the party against whom an estoppel is alleged has been brought about by fraud.<sup>3</sup>

An equity akin to estoppel may be illustrated by the case of the Agra and Masterman's Bank. There certain parties were authorized by a letter of credit to draw upon the bank, and they who negotiated the bill were requested to "endorse particulars upon the back thereof." Certain bills were thereupon negotiated, and the holders on proving against the estate of the bank, were met by a defence of a set-off claimed against the parties to whom the letter of credit had been issued. But it was held that the bank, by the terms of the letter of credit, had in effect invited parties to negotiate bills on the faith of that letter; and that it was not in accordance with the doctrine of courts of equity to allow the bank, under such circumstances, to say that because there was a debt due to it from the persons to whom it had given the letter, therefore it would not pay the bills.<sup>4</sup>

The doctrine of estoppel is frequently called into operation when a party is compelled to make an election between two inconsistent benefits, or between the assertion of two rights which ought not to be insisted on simultaneously.

Under such circumstances, the party having once elected is estopped from asserting the right which he has chosen to abandon.<sup>5</sup>

### 295. Election ; definition and example.

An election, in equity, is a choice which a party is compelled to make between the acceptance of a benefit under a written instrument, and the retention of some property already his own, which is attempted to be disposed of, in favor of a third party,

<sup>1</sup> Rutz v. Kehn, 143 Ill. 558.

<sup>2</sup> Meeder v. Provident S. L. Assur. Soc., 171 N. Y. 432.

<sup>3</sup> Wilcox v. Howell, 44 N. Y. 398; Mallalieu v. Hodgson, 16 Q. B. 689; Bigelow on Estop. 448; McCaskill v. Sav. Bank, 60 Conn. 300; Brown v.

Davis, 23 U. S. App. 579; Bank v. Fletcher, 68 Vt. 81.

<sup>4</sup> *In re* Agra and Masterman's Bank, L. R. 2 Ch. 391. See for a somewhat similar case, *Johannessen v. Munroe*, 158 N. Y. 641.

<sup>5</sup> *Mills v. Hoffman*, 92 N. Y. 181;

by virtue of the same paper.<sup>1</sup> The doctrine rests upon the principle that a person claiming under any document shall not interfere by title paramount, to prevent another part of the same document from having effect according to its construction; he cannot accept and reject the same writing.<sup>2</sup> It is a doctrine which is principally applied to cases of wills; but it is applicable, also, to voluntary deeds, to contracts for value resting upon articles, and to contracts completely executed by conveyance and assignments.<sup>3</sup>

The most common instance which is put of a case of an election, is where a testator gives money or land to A., and by the same will gives something of A.'s to B. Here A. must elect. He must either give effect to the will by allowing B. to have the property which the testator intended should go to him or, if he chooses to disregard the will and retain his own property, must make good the value of the gift to the disappointed beneficiary.<sup>4</sup>

### 296. Of two kinds; express and implied.

Elections are said to be of two kinds, express or implied.<sup>5</sup> An express election is where a condition is annexed to a gift, a compliance with which is distinctly made one of the terms upon which, alone, the gift can be enjoyed. Thus, if a testator were to say, in so many words, that a legacy given by his will should go to the legatee only upon the stipulation that the latter should convey a piece of land, which was his own, to a third party; here would be an express condition, and the legatee would have

*Drake v. Wild*, 70 Vt. 52; *Bigelow on Estop.* 673.

<sup>1</sup> *Fleming's Estate*, 217 Pa. 615.

<sup>2</sup> *Streatfield v. Streatfield*, 1 Lead. Cas. Eq. 333, notes; *Codrington v. Lindsay*, L. R. 8 Ch. 578; *Stephens v. Stephens*, 3 Drew. 697, 701; *Hall v. Hall*, 1 Bland, 130; *Clay v. Hart*, 7 Dana, 1; *Brown v. Ricketts*, 3 Johns. Ch. 553; *Marriott v. Badger*, 5 Md. 306; *Van Duyne v. Van Duyne*, 14 N. J. Eq. 49; *Gable v. Daub*, 40 Pa. 217; *Reaves v. Garrett*, 34 Ala. 558; *Brown v. Pitney*, 39 Ill. 468; *Wilbanks v. Wilbanks*, 18 Id. 17; *O'Reilly v. Nicholson*, 45

Mo. 160; *Pemberton v. Pemberton*, 29 Id. 409; *Beetson v. Stoops*, 186 N. Y. 456; *Tolley v. Poteet*, 62 W. Va. 231.

<sup>3</sup> *Codrington v. Lindsay*, L. R. 8 Ch. 587; *Anderson v. Abbott*, 23 Beav. 457; *Brown v. Brown*, L. R. 2 Eq. 481; *Willoughby v. Middleton*, 2 Johns. & H. 344; *Barrier v. Kelly*, 82 Miss. 233.

<sup>4</sup> *Glenn v. Clark*, 21 Gratt. 35; *Allen v. Boomer*, 82 Wis. 364; *Drake v. Wild*, 70 Vt. 52.

<sup>5</sup> *Hall v. Hall*, 2 McCord Ch. 269, 306; *Kevan's Appeal*, 194 Pa. 135.



to choose or elect between the legacy and the land. If he refused to convey the land, he would simply forfeit his legacy. But in the case stated in the preceding section, the duty to elect would not grow out of any express condition, but would be impliedly annexed by the law, under the general principle that a man shall not be allowed to claim the benefit of any instrument unless he is willing to carry out all its provisions. An equitable election differs from an election growing out of an express condition in this, viz., that in express conditions the result of a non-compliance is a forfeiture; whereas in elections growing out of an implied duty, the person who declines to make good the gift in specie, does not absolutely lose the benefit which is bestowed upon him, but is compelled only to give up so much of it as will amount to compensation for the disappointed beneficiary.<sup>1</sup>

### 297. Importance of the distinction between the two.

The distinction between express and implied elections becomes of practical importance when the doctrine of election in equity is attempted to be applied to the case of void devises. For example: If a statute were to require that wills of real estate should be executed with certain formalities, and a testator were to make his will, not executed so as to pass real estate, whereby he should give a legacy to his heir upon the express condition that the latter would make good a devise of real estate to a stranger, it is obvious that the devisee of the real estate would take no good title from the testator because of the informality in the execution of the will, but the heir would nevertheless be obliged to release to the stranger, otherwise he would forfeit his claim to the legacy.<sup>2</sup>

But, on the other hand, if the bequest to the heir were not made on this *express* condition, then the mere fact that the realty was devised to a stranger would not put the heir to his

<sup>1</sup> *Gretton v. Haward*, 1 Swanst. 433. In his note to this case Mr. Swanston says that there are two propositions established by the authorities: 1st. That in the event of election to take against the instrument, courts of equity assume jurisdiction to sequester the benefit intended for the refractory donee, in order to secure compensation to those

whom his election disappoints; and 2d. That the surplus after compensation does not devolve as undisposed of, but is restored to the donee, the purpose being satisfied for which alone the court controlled his legal right. See *post*, § 305.

<sup>2</sup> *Nutt v. Nutt*, 1 Freem. Ch. (Miss.) 128.

election; because, in the case supposed, there would, in point of fact, have been no valid gift to the stranger, and there can be no election unless there are two gifts.<sup>1</sup> The distinction, therefore, between elections which depend upon the expressed intention of the testator, and those which depend upon his *presumed* intention, is not unfrequently of practical importance.

Exactly why this distinction should have been taken has been not a little questioned. Lord Eldon in *Sheddon v. Goodrich*<sup>2</sup> characterized it as one "such as the mind cannot well fasten upon," and other judges have expressed the same difficulty.<sup>3</sup> Nevertheless it is firmly established, and has been recognized in the courts of this country as well as in those of England.<sup>4</sup> The inclination of the courts, however, is manifestly to limit the distinction, and to put express and implied conditions, in this regard, upon the same footing.<sup>5</sup>

The doctrine of election is applicable to remote and contingent interests, as well as to those which are immediate and certain.<sup>6</sup>

### 298. Circumstances under which the doctrine of election arises; illustrations.

In order that the necessity for an election shall take place, the testator must affect to dispose of property which is not his own,<sup>7</sup> and he must, also, make a valid gift of his own property. If both of these requisites do not occur, there is no case for an election.<sup>8</sup>

<sup>1</sup> See *Melcher v. Burger*, 1 Dev. & Bat. Eq. 634; *Snelgrove v. Snelgrove*, 4 Dess. 274; *Jones v. Jones*, 8 Gill. 197.

<sup>2</sup> 8 Ves. 497. See, also, the remarks of the same chancellor in *Ker v. Wauchope*, 1 Bligh, 1.

<sup>3</sup> *Cary v. Askew*, 1 Cox, 241; *Brodie v. Barry*, 2 Ves. & Beam. 127; *City of Philadelphia v. Davis*, 1 Whart. 510; *Van Dyke's Appeal*, 60 Pa. 488-489.

<sup>4</sup> *McElfresh v. Schley*, 1 Gill, 181; *Kearney v. Macomb*, 16 N. J. Eq. 189; *Dewar v. Maitland*, L. R. 2 Eq. 834; *Orrell v. Orrell*, L. R. 6 Ch. 302.

<sup>5</sup> *Van Dyke's Appeal*, 60 Pa. 400. And see, particularly, *Cummings's Appeal*, 153 Pa. 397-399.

<sup>6</sup> *Webb v. Shaftesbury*, 7 Ves. 480;

*McQueen v. McQueen*, 2 Jon. Eq. 16. Where a mother conveyed land to a daughter in fee, subject to a life estate in her own favor and later devised all her property, including that conveyed, to her daughter for life, the daughter was put to an election as to whether she would accept the property under the deed, or under the will. *Morrison v. Fletcher*, 119 Ky. 488.

<sup>7</sup> See *Box v. Barnett*, L. R. 3 Eq. 244; *Smith v. Butler*, 83 Tex. 126; *Cameron v. Parish*, 155 Ind. 329; *Young v. Biehl*, 166 Ind. 357.

<sup>8</sup> The property must be described. General words, referring to all of the testator's estate, will not do. *Tompkins v. Merriman*, 155 Pa. 440.

Two classes of cases have not unfrequently arisen by which both branches of this rule are illustrated.

The first of these arises when a widow, to whom a legacy has been given by her husband, claims dower out of the real estate devised. On the one hand, if the terms of the devise are such that they can only be satisfied by giving the devisee the land free from dower, the widow must, in this case, elect whether she will have her dower or her legacy.<sup>1</sup> This is a plain case of election. The husband has no power to give away his wife's dower, and all devises must ordinarily be subject to her right. But if the widow wishes to have the legacy, she cannot claim a benefit under the will, without also being compelled to make good its provisions by which her dower in the realty is given to a stranger.

On the other hand, a mere devise of real estate to a stranger, and a legacy to the wife, will not put the latter to her election; for it may be very possible that the testator intended her to have a double benefit, and that the devise was designed to be subject to the burden of dower.<sup>2</sup> Here is a case in which the testator cannot necessarily be said to have attempted to dispose of another's property, *i. e.*, his wife's dower; because *non constat* that he ever so designed to do. In such a case, therefore, there is no election. Between these two plain cases, however, a great many have arisen where the discovery of the intention of the testator is exceedingly difficult.<sup>3</sup>

The inquiry always is, however, did the testator intend to give away his wife's interest in the realty? If he did, then she must elect. If he did not, then there is nothing to prevent her from claiming her legacy under the will, and at the same time asserting her right to the dower, as against the devisee.<sup>4</sup>

### 299. After-acquired lands.

Another class of cases is where there is a devise of after-acquired lands which do not pass by effect of the devise, but to the value of which the devisee may nevertheless become entitled

<sup>1</sup> *Butcher v. Kemp*, 5 Mad. 61; *Birmingham v. Kirwan*, 2 Sch. & L. 444; *Llewellyn v. Mackworth*, Barnard. Ch. R. 5; *Bacon v. Cosby*, 4 De G. & Sm. 261.

<sup>2</sup> *Adsit v. Adsit*, 2 Johns. Ch. 448; *Brown v. Caldwell*, 1 Speer's Eq. 322. See, also, *Herbert v. Wren*, 7 Cranch,

370; *Lord v. Lord*, 23 Conn. 327; *Hall v. Hall*, 8 Rich. (Law) 407; *Norris v. Clark*, 10 N. J. Eq. 51; 1 Lead. Cas. Eq. 410 (Am. notes).

<sup>3</sup> See *Lawrence v. Lawrence*, 2 Vern. 366.

<sup>4</sup> *Ellis v. Lewis*, 3 Hare, 310; *Pemberton v. Pemberton*, 29 Mo. 408.

by the doctrine of election. It is well known that by the English law a will, as to realty, spoke from its date, and did not, therefore, pass after-acquired lands. When, therefore, a testator devised lands, of which he afterwards became the owner, away from the heir, and by the same will gave the heir a benefit, a case for election arose.

The rule has by some authorities been supposed to be different. The case of a devise of after-acquired realty was supposed to fall under the same rule as a *void* devise, that is (for example), a devise by an infant, by a will not duly executed, or the like.<sup>1</sup> But it has been justly pointed out that there is a distinction between a devise which is entirely void by reason of the incompetency of the party attempting to make it, or by reason of the invalidity of the instrument, and a devise which simply fails because the subject-matter is not capable of being disposed of by the testator. The latter falls clearly within the case of an attempt to dispose of property of which the testator is not the owner, and, therefore, presents a strict case for an election.<sup>2</sup>

It will be remembered that if the bequest to the heir is coupled with a direct stipulation that he shall give effect to a devise of after-acquired land, it will fall under the head of express conditions, and will be enforced under the doctrine of forfeiture, and not under that of equitable election, as was stated above.

### 300. Powers.

Another case of election sometimes arises under powers. If, for example, A. has a power of appointment in favor of B., and in default thereof the property is limited to C., and A. exercises the power in favor of D., and by the same instrument gives a benefit to C., the latter must be put to his election. If he claims under the instrument, he must give effect to the defective execution of the power. If he claims adversely to the instrument, he must compensate the disappointed appointee out of the benefit which the instrument confers upon him.<sup>3</sup>

<sup>1</sup> See *Hearle v. Greenbank*, 3 Atk. 695; 1 Ves. Sr. 298; *Rich v. Cockell*, 9 Ves. 369; *Sheddon v. Goodrich*, 8 Id. 481; *Van Dyke's Appeal*, 60 Pa. 481.

<sup>2</sup> *Schroder v. Schroder*, 1 Kay, 578; *Hance v. Truwitt*, 2 Johns. & H. 216; American note to *Streatfield v. Streatfield*, 1 Lead. Cas. Eq. 333

(where the opinion of the court in the *City of Philadelphia v. Davis*, 1 Whart. 490, is criticised); *McElfresh v. Schley*, 2 Gill, 181; *Kearney v. Macomb*, 16 N. J. Eq. 189; *Maxwell v. Maxwell*, 2 De G., M. & G. 705. See *Orrell v. Orrell*, L. R. 6 Ch. 303.

<sup>3</sup> 2 Sug. Pow. 148; note to *Streatfield v. Streatfield*, 1 Lead. Cas. Eq.

So, also, if there is a power to appoint to two, and the donee of the power appoints to one only, and gives a legacy to the other, he cannot claim the legacy and also dispute the validity of the appointment.<sup>1</sup> But where a testatrix made an appointment under a power in favor of her son, which partially failed for remoteness, and made a general residuary appointment under the power to her daughters, to whom certain other benefits were also given; it was held that the daughters might claim the benefit of the appointment which had failed, without being put to their election in regard to their legacies.<sup>2</sup> The reason of this decision was, that the daughters claimed the benefit of the appointment which had failed, not as persons who took in default of a proper execution of the power, but under the general residuary appointment; in other words, they claimed this fund, as well as the legacy, under the will, and not by any title adverse to the will; hence there was no room for the doctrine of election. The rule as to election is to be applied only as between a gift under a will and a claim *dehors* the will and adverse to it, and is not to be applied as between one clause in a will and another clause in the same will.<sup>3</sup> Where a person appoints to the object of the power, and gives him a legacy, and then directs him to settle the appointed property on persons who are not the objects of the power, a case of election is not raised, unless there is a clause of forfeiture on non-compliance with the directions.<sup>4</sup>

### 301. Donor must give property of his own.

It was stated above, that one of the two requisites necessary to give rise to a case of election was that the donor should give property of his own.

This may, also, be illustrated by a reference to the execution of powers. If A. has a power of appointment among B., C., and D., in default of the due execution of which B. is entitled to

351; *Whistler v. Webster*, 2 Ves. Jr. 367; *Coutts v. Acworth*, L. R. 9 Eq. 519. See, also, *Blackett v. Lamb*, 14 Beav. 482, and the criticism in *Snell's Eq.* 174.

<sup>1</sup> *In re Fowler's Trust*, 27 Beav. 362; *Woolridge v. Woolridge*, Johns. 63; *Churchill v. Churchill*, L. R. 5 Eq. 44; 2 *Spence*, 520; 2 *Sug. Pow.* 148.

<sup>2</sup> *Wollaston v. King*, L. R. 8 Eq. 165. See *Wallinger v. Wallinger*, 9 Id. 301.

<sup>3</sup> *Per James*, V. C., in *Wollaston v. King*, L. R. 8 Eq. 174.

<sup>4</sup> *King v. King*, 15 Ir. Ch. 479, overruling *Moriarty v. Martin*, 3 Id. 26.

take; and A. exercises the power validly as to B., but invalidly as to C. and D.; B. is, nevertheless, entitled to make good his claim in default of the proper execution; because the benefit that he receives by virtue of the appointment is not a benefit fed (so to speak) out of property belonging to A., but is derived from that in which A. has no ownership, but only a power of appointment.<sup>1</sup>

### 302. Property of the donee must be also given.

Nor will a person be compelled to elect unless *his* property is attempted to be disposed of by the testator. Thus, where a testator assumed to dispose of the *whole* of a fund by virtue of a power in a settlement, and appointed a moiety thereof to C., and the other moiety to S., whose wife was in fact entitled to a moiety under the settlement, and S.'s wife subsequently died, and S. administered upon her estate, it was held that there was no case for an election, because the gift, under the will, was to him in his own right, and his claim adversely to the will was as the representative of his wife; in other words, *his* property was not attempted to be disposed of by the gift to C.<sup>2</sup>

### 303. Gifts must be by the same instrument.

The doctrine of election only obtains in those cases in which the twofold gift is made by the same instrument. If, therefore, a benefit is conferred by deed upon a person whose property the donor afterwards affects to dispose of by will, this is no case of election, because the donee is not called upon to attack and defend, at one breath, the same instrument.<sup>3</sup>

Evidence *dehors* the instrument is not admissible.<sup>4</sup>

It is immaterial whether the testator knew that the property was not his own, or conceived it to be his own. The doctrine of election will exist in either case.<sup>5</sup> Cases of no little difficulty,

<sup>1</sup> Bristow v. Warde, 2 Ves. Jr. 336; *In re Fowler's Trust*, 27 Beav. 362.

<sup>2</sup> Grissell v. Swinhoe, L. R. 7 Eq. 291. See Cooper v. Cooper, L. R. 6 Ch. 21, and Wilkinson v. Dent, Id. 339.

<sup>3</sup> Latrobe v. Carter, 83 Md. 279. Applied in the case of two instruments forming part of the same transaction. Barrier v. Kelly, 82 Miss. 233.

<sup>4</sup> Clementson v. Gandy, 1 Keen,

309; Stratton v. Best, 1 Ves. Jr. 285; Honeywood v. Forster, 30 Beav. 14; City of Philadelphia v. Davis, 1 Whart. 490; Timberlake v. Parish, 5 Dana, 345; Miller v. Springer, 70 Pa. 273; McGinnis v. McGinnis, 1 Kelly, 496. See, however, Long v. Wier, 2 Rich. Eq. 283.

<sup>5</sup> Whistler v. Webster, 2 Ves. Jr. 367; Stephens v. Stephens, 1 De G. & J. 62.

however, sometimes arise where a testator assumes to deal with property in which he has but a limited interest. Where he has any interest at all, the leaning of the courts is towards a construction which would make him deal only with that to which he is entitled, and not with that over which he had no disposing power, inasmuch as every testator must *prima facie* be taken "to have intended to dispose only of what he had power to dispose of, and in order to raise a case of election, it must be clear that there was an intention on the part of the testator to dispose of what he had not the right or power to dispose of."<sup>1</sup> Moreover, it may be stated generally that the intention to raise an election must be a clear one; for a party will never be put to his election upon a doubtful construction.<sup>2</sup>

### 304. Manner in which election may be made.

As to the manner in which an election may be made, it may be either by some decisive act by which the party may be at once estopped from afterwards setting up any title adverse to the disposition to which he had thus given effect,<sup>3</sup> or by some silent acquiescence in the changed condition of things upon the faith of which other parties have acted and acquired rights which it would be inequitable afterwards to disturb.<sup>4</sup> But a bare acquiescence, without a deliberate and intelligent choice made under a full knowledge of all the circumstances, and of the party's rights, will not be an election.<sup>5</sup>

<sup>1</sup> *Wintour v. Clifton*, 8 De G., M. & G. 641; *Shuttleworth v. Greaves*, 4 My. & Cr. 35; *Dummer v. Pitcher*, 2 My. & Keene, 262. See *Wilkinson v. Dent*, L. R. 6 Ch. 389.

<sup>2</sup> *Wilson v. Army*, 1 Dev. & Bat. Eq. 376; *Hall v. Hall*, 1 Bland, 130; *McElfresh v. Schley*, 2 Gill, 182; *Havens v. Sackett*, 15 N. Y. 365; *Stokes's Estate*, 61 Pa. 144. See, also, *Blackett v. Lamb*, 14 Beav. 482, where the court refused to raise an election from mere precatory words which, in that case, were construed not to be imperative.

<sup>3</sup> See *Snell's Principles of Equity*, 182.

<sup>4</sup> *Tibbits v. Tibbits*, 19 Ves. 956; *Worthington v. Wiginton*, 20 Beav. 67. See *Spread v. Morgan*, 11 H. L. Cas. 588; *Fulton v. Moore*, 25 Pa. 468; *Upshaw v. Upshaw*, 2 Hen. & Munf. 381; *Caston v. Caston*, 2 Rich. Eq. 1; *Stark v. Hunton*, Saxt. Ch. 216, 227; *Clay v. Hart*, 7 Dana, 1; *Drake v. Wild*, 70 Vt. 52; *Medill v. Snyder*, 61 Kan. 15.

<sup>5</sup> *Duncan v. Duncan*, 2 Yeates, 302; *Snelgrove v. Snelgrove*, 4 Dess. 274; *Anderson's Appeal*, 36 Pa. 476; *Dickinson v. Dickinson*, 61 Id. 405; *Cox v. Rogers*, 77 Id. 167; 1 Lead. Cas. Eq. 413 (Am. note).

If the fact of election is doubtful, it may be sent to a jury for determination.<sup>1</sup>

Parties competent to make an election must usually be *sui juris*, but elections may sometimes be made by a court of equity on behalf of infants and married women.<sup>2</sup>

A party compelled to elect is entitled to know the value of the properties previous to election;<sup>3</sup> and may file a bill to have all necessary accounts taken.<sup>4</sup>

### 305. Consequence of an election is compensation, not forfeiture.

It was at one time doubted whether the consequences of an election, adverse to the will of the donor, were to be measured by the theory of forfeiture, or by that of compensation; that is to say, whether the gift was absolutely forfeited by the refractory donee for the benefit of the disappointed beneficiary, or whether the donee was only obliged to make good the other gift to the extent of its value.

The law is now settled in favor of the doctrine of compensation.<sup>5</sup>

### 306. Application of doctrine of election to cases of creditors.

It was said by Sir Wm. Grant, in *Kidney v. Coussmaker*,<sup>6</sup> that the doctrine of election did not apply in the case of a creditor. This *dictum* is true enough if confined only to those cases in which property is charged by will with debts; for in such a case the creditor may claim the benefit of the charge, and still seek satisfaction of his debt out of other assets. But the rule is,

<sup>1</sup> *Roundel v. Curres* 2 Bro. C. C. 67; 1 Swanst. 383, n.

<sup>2</sup> *Davis v. Page*, 9 Ves. 350; *Barrow v. Barrow*, 4 K. & J. 409; *Williams v. Knight* [1894], 2 Ch. 421; *Willoughby v. Middleton*, 2 J. & H. 344; *Addison v. Bowie*, 2 Bland, 606; *Marx v. Clisby*, 130 Ala. 502; *Streatfield v. Streatfield*, Cas. temp. Talbot, 176; 1 Lead. Cas. Eq. 333; *Dickson v. New York Biscuit Co.*, 211 Ill. 468.

<sup>3</sup> *Boynton v. Boynton*, 1 Bro. C. C. 445; *Buttricke v. Brodhurst*, 3 Bro. C. C. 88; *Kreiser's Appeal*, 69 Pa. 200.

See, however, *Douglas v. Douglas*, L. R. 12 Eq. 637.

<sup>4</sup> *Buttricke v. Brodhurst*, 3 Bro. C. C. 88; 1 Ves. Jr. 171.

<sup>5</sup> *Spread v. Morgan*, 11 H. L. Cas. 588; *Key v. Griffin*, 1 Rich. Eq. 67; *Stump v. Findlay*, 2 Rawle, 174; *Van Dyke's Appeal*, 60 Pa. 490. See, also, *Sandoe's Appeal*, 65 Id. 314; *Vance's Estate*, 141 Id. 201; *Brown v. Brown*, 42 Minn. 270; *Sarles v. Sarles*, 19 Abb. N. C. 322, 331, n.; *Farmington Savings Bank v. Curran*, 72 Conn. 342.

<sup>6</sup> 12 Ves. 136.



nevertheless, not of universal application; for it has been decided that where a creditor decisively acquiesces in a certain disposition of the debtor's property, he will not be allowed to enforce the collection of his debt by proceedings by which that disposition may be violated. Thus, if a creditor accepts a dividend under an assignment for the benefit of creditors, he will not afterwards be allowed to avoid that assignment in order to render the assets covered thereby liable to execution for his debt.<sup>1</sup>

<sup>1</sup> *Adlum v. Yard*, 1 Rawle, 163; where it was held that there was no estoppel, *In re Hobson*, 81 La. 392. *Perry on Trusts*, § 596. For a case

## CHAPTER V.

## CONVERSION AND RECONVERSION.

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| <p>307. General nature and extent of equitable conversion.</p> <p>308. Example: <i>Fletcher v. Ashburner</i>.</p> <p>309. Conversion may take place either under a trust or under a contract.</p> <p>310. What language is necessary to effect a conversion.</p> <p>311. In what ways a trust to convert may be made imperative.</p> <p>312. Question of conversion one of intention.</p> <p>313. Contract, to work a conversion, must be binding.</p> <p>314. General results of a conversion; qualifications.</p> <p>315. Failure of the purposes of a conversion; resulting trust.</p> <p>316. <i>Ackroyd v. Smithson</i>; <i>Smith v. Claxton</i>.</p> | <p>317. Conversion "out and out."</p> <p>318. Doctrine in the United States on this subject.</p> <p>319. Conversion under instruments <i>inter vivos</i>.</p> <p>320. Time from which a conversion takes place.</p> <p>321. Conversion under optional contracts.</p> <p>322. Reconversion may be by act of party or by act of law.</p> <p>323. Election to reconvert may be either by express declaration or by acts.</p> <p>324. By whom such election may be made.</p> <p>325. Reconversion by operation of law.</p> |
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**307. General nature and extent of equitable conversion.**

By Equitable Conversion is meant a change of property from real into personal, or from personal into real, not actually taking place, but presumed to exist only by construction or intention of equity.<sup>1</sup> "Nothing," it has been said, "is better established than this principle, that money directed to be employed in the purchase of land, and land directed to be sold and turned into money, are to be considered as that species of property into which they are directed to be converted, and this in whatever manner the direction is given, whether by will or by way of contract, marriage articles, settlement, or otherwise; and whether the money is actually deposited, or only covenanted to be paid, whether the land is actually conveyed or only agreed to be con-

<sup>1</sup> *Greenwood v. Greenwood*, 178 Ill. 387, 402, quoting the text. *Duckworth v. Jordan*, 138 N. C. 520.

veyed, the owner of the fund, or the contracting parties may make land money or money land." <sup>1</sup> By this and similar declarations the judges do not mean to assert a solemn piece of legal juggling without any foundation of common sense; but simply to lay down the practical doctrine that for certain purposes of devolution and transfer, and in order that the rights of parties may be enforced and preserved, it is sometimes necessary to regard property as subject to the rules applicable to it in its changed and not in its original state, although the change may not have actually taken place.<sup>2</sup>

### 308. Example: *Fletcher v. Ashburner*.

The case just cited <sup>3</sup> is an excellent illustration of the general nature of this doctrine. There F. made his will, by which he devised real estate to trustees in trust (after his widow's death), to sell the same and divide the proceeds between his son and daughter. The son and daughter both died in the lifetime of the widow, who, as her son's next of kin, became entitled to the property, if it were to be considered as personalty. After her death a bill was filed by the son's heir-at-law, claiming the property as real estate. It will be observed that the question then fairly arose whether the devolution of the property, after the death of the original testator, was to be governed by the rules

<sup>1</sup> By Sir Thomas Sewell, M. R., in *Fletcher v. Ashburner*, 1 Bro. C. C. 497. This is the leading authority on this subject. See 1 Lead. Cas. Eq. 619. See, also, *Craig v. Leslie*, 3 Wheat. 563; *Peter v. Beverly*, 10 Pet. 532; *Taylor v. Benham*, 5 How. 233; *Holland v. Cruft*, 3 Gray, 180; *Lorillard v. Coster*, 5 Paige Ch. 172; *Arnold v. Gilbert*, 5 Barb. 190; *Kane v. Gott*, 24 Wend. 641; *Greenland v. Waddell*, 116 N. Y. 234; *Allison v. Wilson*, 13 S. & R. 330; *Morrow v. Brenizer*, 2 Rawle, 185; *Burr v. Sim*, 1 Whart. 252; *Parkinson's Appeal*, 32 Pa. 455; *Brolosky v. Gally's Ex'rs*, 51 Id. 509; *McClure's Appeal*, 72 Id. 417; *Sweeney v. Horn*, 190 Pa. 241; *Tazewell v. Smith*, 1 Rand. 313; *Pratt v. Taliaferro*, 3 Leigh, 419; *Smith v. McCrary*, 3 Ired. Eq. 204; *Ex parte*

*McBee*, 3 N. C. 382; *Tayloe v. Johnson*, Id. 381; *Scudder v. Vanarsdale*, 13 N. J. Eq. 109; *Thomas v. Wood*, 1 Md. Ch. 296; *Lynn v. Gephart*, 27 Md. 563; *Collins v. Champ's Heirs*, 15 B. Mon. 118; *Green v. Johnson*, 4 Bush, 167; *Haward v. Peavey*, 128 Ill. 430; *Rinehart v. Harrison*, *Baldw. C. C.* 177; *Boland v. Tiernay*, 118 Ia. 59; *Stake v. Mobley*, 102 Md. 408; *Boyce v. Kelso Home*, 107 Md. 190. A direction in the will postponing the time of sale will not prevent a conversion from taking place. *High v. Worley*, 33 Ala. 196; *Hocker v. Gentry*, 3 Metc. (Ky.) 463.

<sup>2</sup> See the remarks in *Foster's Appeal*, 74 Pa. 397, and in *Went's Appeal*, 126 Id. 541.

<sup>3</sup> *Fletcher v. Ashburner*, *supra*.

which were applicable to it in its existing condition as realty, or by the rules which would control it in the condition into which it was directed to be changed—viz., personalty; in the former case it would go to the son's heir; in the latter, to the personal representative of the widow. The question was decided in favor of the personal representative of the widow, upon the theory (already quoted) stated by the Master of the Rolls.

### 309. Conversion may take place either under a trust or under a contract.

Conversion may arise not only under a trust in a will (of which an illustration has just been given), but also under settlements and other instruments *inter vivos*. Where (for example) a binding contract is made for the sale of land, from that instant a conversion takes place.<sup>1</sup> The purchaser is regarded for many purposes as the owner of the land, and the rights of parties claiming under him are determined by the rules which govern the devolution of realty. If the purchaser dies before conveyance, his heir will take the land, and the executor will be obliged to pay the purchase-money.<sup>2</sup> So where a trust is created by deed under which it is the duty of the trustee to foreclose mortgages, buy in the mortgaged real estate, sell it and distribute the proceeds, the interests of the *cestuis que trustent* after the trustee had bought in the land but *before* he had sold it, are to be deemed personalty and not real estate. *Qua* the beneficiaries, the real estate vested in the trustees, is deemed in equity converted into personal property.<sup>3</sup>

### 310. What language is necessary to effect a conversion.

Bearing in mind the two-fold manner (by trust and by contract) by which conversion may take place, the next points for consideration are, first, what language is necessary to effect a conversion; second, the general results of the conversion; and third, the time from which the conversion takes place.<sup>4</sup>

As to the first point, it may be stated, in general terms, that in order to effect a conversion the direction to convert in a trust

<sup>1</sup> Sug. V. & P. 175.

<sup>2</sup> See *Att.-Gen. v. Brunning*, 8 H. L. Cas. 243; *Griffith v. Beecher*, 10 Barb. 432; *Rose v. Jessup*, 19 Pa. 280; *Naglee v. Ingersoll*, 7 Id. 185. The rights of the creditors of the ven-

dor are not affected by the conversion. *Leiper's Ex'rs v. Irvine*, 26 Id. 54. See *Leiper's Appeal*, 35 Id. 420.

<sup>3</sup> *Sweeney v. Horn*, 190 Pa. 241.

<sup>4</sup> See *Snell's Principles of Equity*, 140.

must be couched in imperative language, and that in a contract the agreement must be binding.

The general rule that the duty to convert must be imperative, and not left to the mere option of the executors or trustees, was established many years ago, and has been recognized and enforced in many cases both in England and in this country. One of the earliest authorities upon this subject is *Curling v. May*.<sup>1</sup> There A. gave £500 to B., in trust that B. should lay out the same in the purchase of lands or put it out in good securities for the separate use of his daughter H. (the plaintiff's then wife), her heirs, executors, and administrators. Subsequently, and before the money was invested, the daughter died, and her husband, as administrator, brought his bill for the money against her heir. A decree was made in favor of the husband, on the ground that, under the alternative language used by the testator, it could not be gathered from the will that his principal intention was that the money should be turned into land. So, also, in an American case, a conveyance to trustees to pay an annuity out of the rents of certain real estate, or to sell, was held not to work a conversion, because it was not imperative on the trustees to exercise the power.<sup>2</sup> Many other authorities to the same effect are to be found.<sup>3</sup>

### 311. In what ways a trust to convert may be made imperative.

This imperative character may be impressed upon the trust in, at least, three well-recognized ways: either, first, by the use of direct words of command; or, secondly, by a disposition of

<sup>1</sup> Cited, 3 Atk. 255.

<sup>2</sup> *Bleight v. The Bank*, 10 Pa. 131.

<sup>3</sup> See *Curling v. May*, cited, 3 Atk. 255; *In re Ibbitson*, L. R. 7 Eq. 226; *Bourne v. Bourne*, 2 Hare, 35; *De Beauvoir v. De Beauvoir*, 3 H. L. Cas. 548; *Greenway v. Greenway*, 2 De G., F. & J. 128; *Dominick v. Michael*, 4 Sandf. (S. Ct.) 374; *Clift v. Moses*, 116 N. Y. 144; *Pratt v. Taliaferro*, 3 Leigh, 419; *Montgomery v. Milliken*, 1 Sm. & M. Ch. 495; *Cook v. Cook*, 20 N. J. Eq. 375; *Anewalt's App.*, 42 Pa. 414; *Chew v. Nicklin*, 45 Id. 84; *Miller & Bowman's App.*, 60 Id. 404; *Perot's*

*App.*, 102 Id. 235; *Becker's Estate*, 150 Id. 524; *Darlington v. Darlington*, 160 Id. 65; *Taylor v. Haskell*, 178 Id. 106; *Ness v. Davidson*, 49 Minn. 469. But the fact that one of the beneficiaries may be given an option to take the property in its unconverted state, does not prevent a conversion. *Perkins v. Coughlan*, 148 Mass. 30; *McFadden v. Hefley*, 28 S. C. 317. See *Laird's App.*, 85 Pa. 343; *Pyle's App.*, 102 Id. 317; *Miller v. Commonwealth*, 111 Id. 321, and *Bennett v. Gallagher*, 115 Tenn. 568.

the property on such limitations as necessitate a change; or, third, such a blending of real and personal estate as clearly to show an intention to create a fund out of both kinds of estate and to bequeath said fund as money.<sup>1</sup>

If a testator devises land to be sold, or orders or directs that the same shall be sold, it is obvious that it is the imperative duty of the trustees to make the sale. They have no discretion in the matter. They are simply to turn the real estate into personalty, and to apply the money thus realized to the purpose designated in the will. This is the plainest case of conversion.

Another case, almost as plain, is where the testator has not imperatively ordered a sale, but has given a power to convert coupled with such directions as to the ulterior settlement of the property in its changed condition as to render it impossible to carry out the will without making the conversion. Thus, if a man were to give a power to trustees to invest money in land, and were to prescribe such subsequent limitations as could only be carried out if the subject-matter were realty, a conversion must necessarily be intended, otherwise the limitations would fail.<sup>2</sup>

### §12. Question of conversion one of intention.

The doctrine of conversion is not confined to those testamentary dispositions only in which imperative words are used, or wherein limitations which can only be effectuated by a conversion exist. It is to be applied to all these cases in which a general intention of the testator is sufficiently manifested to give the property to the donee in a condition different from that in which it exists at the time when the will goes into effect.<sup>3</sup> A mere

<sup>1</sup> See *Clift v. Moses*, 116 N. Y. 144; *Hunt's Appeal*, 105 Pa. 141; *Reid v. Clendenning*, 182 Id. 413; *Cooper's Estate*, 206 Pa. 630; *Becker v. Chester*, 115 Wis. 90.

<sup>2</sup> *Earlom v. Saunders*, *Ambler*, 241. See *Atwell v. Atwell*, L. R. 13 Eq. 23; also the opinion of Lord Cottonham, in *Cookson v. Cookson*, 12 Cl. & Fin. 145. See *Ford v. Ford*, 80 Mich. 42; *Delafield v. Barlow*, 107 N. Y. 535.

<sup>3</sup> See *Snell's Principles of Equity*, 142; *Bogert v. Hertell*, 4 Hill, 492;

*Tasewell v. Smith*, 1 Rand. 313; *Stagg v. Jackson*, 1 Comst. 206; *Phelps v. Pond*, 23 N. Y. 69; *Salisbury v. Slade*, 160 N. Y. 278; *Cowley v. Hartstonge*, 1 Dow. 361; *Cookson v. Reay*, 5 Beav. 22; 12 Cl. & Fin. 121; *Grieson v. Kirsopp*, 2 Keen, 653; *Cornick v. Pearce*, 7 Hare, 477; *Mower v. Orr*, Id. 473; *Greenway v. Greenway*, 1 Giff. 131; *Roland v. Miller*, 100 Pa. 47; *In re Albiston's Est.*, 117 Wis. 272. It is the duty to convert which creates the equitable change. *Thornton v. Hawley*, 10 Ves.

testamentary power of sale, vested in executors to sell real estate, will not work a conversion;<sup>1</sup> but if to the power there is added a *direction*, a conversion will be effected.<sup>2</sup> There must be an *intent* to convert, either express or implied.<sup>3</sup> The question always is, did the testator intend to give money or to give land, and has that intention been sufficiently expressed? Once arrive at the intention, by proper rules of interpretation, and the property will then be considered as impressed with that character which the testator designed it should bear when it reached the hands of the beneficiary.<sup>4</sup> While a discretion in the trustees, as to whether a sale shall or shall not take place, will of course prevent a conversion, yet a mere discretion as to the *time* or manner of sale will not hinder a conversion.<sup>5</sup>

### 313. Contract, to work a conversion, must be binding.

As, where a conversion arises under a trust, imperative words (or equivalent provisions) are required to create it; so, also, where the conversion is claimed to have taken place by virtue of a *contract*, it is necessary, as a general rule, that the contract be binding. The question always is, whether the vendor or purchaser (as the case might be) at the time of his death was either absolutely or contingently<sup>6</sup> under such an agreement as equity would enforce against him.<sup>7</sup> The rule is not altered by anything happening after the death of the purchaser by which the binding character of the contract could be affected,<sup>8</sup> nor

129; *Taylor v. Taylor*, 3 De G., M. & G. 190; *Robinson v. The Governors*, 10 Hare, 19.

<sup>1</sup> *Sheridan v. Sheridan*, 136 Pa. 22.

<sup>2</sup> *Martin's Appeal*, 148 Pa. 394.

<sup>3</sup> *Hunt's Appeal*, 105 Pa. 128; *Mills v. Harris*, 104 N. C. 626.

<sup>4</sup> *Morrow v. Brenizer*, 2 Rawle, 185; *Wurts v. Page*, 19 N. J. Eq. 365. But see *Girard Life Ins. Co.'s App.*, 75 Pa. 87; *Forsyth v. Forsyth*, 46 N. J. Eq. 400.

<sup>5</sup> *Stagg v. Jackson*, 1 Comst. 206; *Tasewell v. Smith*, 1 Rand. 313; *Crane v. Bolles*, 49 N. J. Eq. 373; *Mellon v. Reed*, 123 Pa. 1. But see *Christler v. Meddis*, 6 B. Mon. 35.

<sup>6</sup> *Williams v. Haddock*, 145 N. Y. 144.

<sup>7</sup> *Dart on Vendors*, 238 (4th ed.); *Garnett v. Acton*, 28 Beav. 333; *In re Thomas*, 34 Ch. D. 166; *Keep v. Miller*, 42 N. J. Eq. 100; 1 Lead. Cas. Eq. 843; note to *Fletcher v. Ashburner*. See, however, the case of *Frayne v. Taylor*, 33 L. J. Ch. (N. S.) 228, where an heir of a vendor elected to carry out the parol contract of his ancestor, and it was held that a conversion had taken place, and that the proceeds should go to the personal estate of the ancestor.

<sup>8</sup> *Dart on Vendors*, 246; 1 L. Ca. Eq. 843; *Hudson v. Cook*, L. R. 13 Eq. 417. See *Clapp v. Tower*, 11 N. Dak. 556.

by the circumstance that the purchase is entirely at the option of the vendee.<sup>1</sup>

### 314. General results of a conversion; qualifications.

The next subject for consideration is the general effects or results of the conversion. Generally speaking, the court carries out the principle of conversion in all its consequences.<sup>2</sup> Thus, money directed to be turned into land descends to the heir; and land directed to be converted into money goes to personal representatives;<sup>3</sup> money belonging to a married woman which is directed to be converted into land is liable to the husband's curtesy;<sup>4</sup> an alien, though incapable of taking land for his own benefit, can take the proceeds of land directed to be sold;<sup>5</sup> and in many other cases the enjoyment of property will be determined by the rules applicable to it in its changed, and not in its original state.<sup>6</sup>

But it must not be supposed that for *all* purposes the property is to be treated as in its converted state. The notional conversion is not equivalent to a real conversion.<sup>7</sup> Thus in *Franks v. Bollans*<sup>8</sup> it was held that where there was a notional conversion of realty into personalty the husband of a woman beneficially entitled could not dispose of his wife's interest by the same

<sup>1</sup> *Dart on Vendors*, 230; *Collingwood v. Row*, 3 Jur. (N. S.) 735; *Kerr v. Day*, 14 Id. 114; *D'Arras v. Keyser*, 26 Pa. 249; *Lawes v. Bennet*, 1 Cox, 167.

<sup>2</sup> 2 *Spence's Eq.* 264.

<sup>3</sup> *Snell's Principles of Equity*, 148; *Scudamore v. Scudamore*, Prec. Ch. 543; *Ashby v. Palmer*, 1 Mer. Ch. 296; *Elliott v. Fisher*, 12 Sim. 505; *Wurts v. Page*, 19 N. J. Eq. 365; though see *Girard Life Ins. Co.'s Appeal*, 75 Pa. 87.

<sup>4</sup> *Sweetapple v. Bindon*, 2 Vern. 536.

<sup>5</sup> *Craig v. Leslie*, 3 Wheat. 563; *Du Hourmelin v. Sheldon*, 1 Beav. 79; 4 My. & Cr. 525; *Greenwood v. Greenwood*, 178 Ill. 387.

<sup>6</sup> See *Earlom v. Saunders*, Amb. 241.

<sup>7</sup> *Wilder v. Ranney*, 95 N. Y. 7; *Crowley v. Hicks*, 72 Wis. 539.

<sup>8</sup> L. R. 3 Ch. 718. In *Oldham v. Hughes*, 2 Atk. 453, Lord Hardwicke, in speaking of the power of a *feme covert* to bind money, articulated to be laid out in land, by her consent in court, with the same effect as she could the land itself by a fine at law, remarked that "at law money so articulated to be laid out in land is considered barely as money until an actual investiture, and the equity of this court alone views it in the light of a real estate; and, therefore, this court can act upon its own creature, and do what a fine at common law can upon land;" which shows that the doctrine of conversion in equity is purely notional, and that the property is to be treated as if in its changed condition only for certain purposes. See, however, *Siter v. McClanachan*, 2 Gratt. 280.



means by which he could dispose of her actual personal property; and in *Brook v. Badley*<sup>1</sup> it was held that the interest of a person entitled to a portion of the proceeds of land directed to be sold was to be considered as realty, so far as his capacity to make a valid gift to a charity was concerned. "The estate," said Cairns, L. J., in the case last cited, "is in the hands of the trustees, not for the benefit of those trustees, but for the benefit of the four persons between whom the proceeds of the estate are to be divided when the sale takes place. It may very well be that no one of these four persons could insist upon entering on the land, or taking the land, or enjoying the land *qua* land; and it may very well be that the only method for each one of them to make his enjoyment of the land productive is by coming to the court and applying to have the sale carried into execution; but, nevertheless, the interest of each one of them is, in my opinion, an interest in the land, and it would be right to say in equity that the land does not belong to the trustees, but to the four persons between whom the proceeds are to be divided."<sup>2</sup>

So, also, in *Foster's Appeal*,<sup>3</sup> where the question was as to the extent to which partnership real estate had been converted,<sup>4</sup> it was said: "Conversion is altogether a doctrine of equity; in law it has no being; it is admitted only for the accomplishment of equitable results. *It follows, of necessity, that it is limited to its end.*"

### 315. Failure of the purposes of a conversion; resulting trust.

Another very important qualification of the general effect of a conversion is that the conversion is limited to the purpose of the donor; and that, therefore, in the event of a failure of the purpose, the property will devolve according to its original character.<sup>5</sup>

When the purpose of the conversion totally fails, the rule is quite simple. Where a conversion is directed or contracted, whether by will or by settlement, or other instrument *inter vivos*,

<sup>1</sup> L. R. 3 Ch. 674. See, also, *De Lancey v. The Queen*, L. R. 7 Ex. 140.

<sup>2</sup> *Brook v. Badley*, L. R. 3 Ch. 674; *In re Stephens*, 43 Ch. D. 39.

<sup>3</sup> 74 Pa. 397. See, also, *Lackey's Appeal*, 149 Pa. 7, and *Reid v. Clendenning*, 193 Id. 413.

<sup>4</sup> *Post*, § 512.

<sup>5</sup> *Painter v. Painter*, 220 Pa. 82. See, also, *Hill on Trustees*, 127, 128, and notes; *Smith v. McCrary*, 3 Ired. Eq. 204; *Commonwealth v. Martin*, 5 Munf. 117; *Slocum v. Slocum*, 4 Edw. Ch. 613; *Riser v. Perry*, 58 Md. 112.

whether of money into land, or of land into money, if the objects and purposes of that conversion have totally failed before the instrument directing the conversion comes into operation, no conversion will take place; but the property so directed, or contracted, to be converted will remain in its original state, or, rather, will result to the testator or settlor with its original form unchanged.<sup>1</sup> Vice-Chancellor Wood, in speaking of the conveyance in *Clarke v. Franklin*,<sup>2</sup> said: "So here, if, at the moment when the grantor put his hand to this deed, the purpose for which conversion was directed had failed—for instance, if he had given all the proceeds instead of a part to charitable purposes, so that the property would have been *at home* in his lifetime—the court would have regarded it as if no conversion had been directed, and the property would have resulted to the grantor as real estate."

Turning now to cases of a *partial* failure of the objects of the conversion, the questions become, perhaps, a little more difficult and complicated. Taking into consideration, in the first place, conversion by wills, the general rule as to the case of land converted into personalty would seem to be, that where there is a partial failure the undisposed of surplus will result to the *heir*, and, moreover, that where it is necessary to sell the land for the purposes of the trust, the surplus belongs to the heir as *money*, and not as land, and will, therefore, go to his personal representatives, even though the land may not have been sold during his lifetime.<sup>3</sup>

### 316. *Ackroyd v. Smithson; Smith v. Claxton.*

The leading authority upon the general proposition, that where there is a partial failure there will be a resulting trust for the *heir* and not for the *personal representatives* of the testator, is *Ackroyd v. Smithson*, well known for the celebrated

<sup>1</sup> For a good example of a total failure and consequent reconversion, see *Luffberry's Appeal*, 125 Pa. 513. See, also, *Moore v. Robbins*, 53 N. J. Eq. 137, and *Snell's Principles of Equity*, 149.

<sup>2</sup> 4 K. & J. 257. See, also, *Smith v. Claxton*, 4 Mad. 492. *Evans's Appeal*, 63 Pa. 183, seems to be at variance with this ruling, but it was followed in *Davis's Appeal*, 83 Id. 348.

<sup>3</sup> *Ackroyd v. Smithson*, 1 Bro. C. C. 503; *Smith v. Claxton*, 4 Mad. 492; *Wright v. Wright*, 16 Ves. 188; *Wall v. Colshead*, 2 De G. & J. 683; *In re Richardson* [1892], 1 Ch. 379; *Snell's Prin. of Eq.* 153; *Lindsay v. Pleasants*, 4 Ired. Eq. 320; *Wood v. Cone*, 7 Paige Ch. 471; *North v. Valk*, *Dudley's Eq.* 212; *Wright v. Trustees of Meth. Epis. Church*, *Hoffman*, 202.

argument of Lord Eldon, then Mr. Scott, who was counsel in the case,<sup>1</sup> while the *character* in which the property goes to the heir is well explained in *Smith v. Claxton*.<sup>2</sup>

"Where a devisor," it was there said, "directs his land to be sold, and the produce divided between A. and B., the obvious purpose of the testator is that there shall be a sale for the convenience of division, and A. and B. take their several interests as money and not land. So if A. dies in the lifetime of the devisor, and the heir stands in his place, the purpose of the devisor that there shall be a sale for the convenience of division still applies, and the heir will take the share of A., as A. would have taken it, as money and not land. But suppose A. and B. both to die in the lifetime of the devisor, and the whole interest in the land descends to the heir; the question would then be whether the devisor can be considered as having expressed any purpose of sale applicable to that event, so as to give the interest of the heir the quality of money. The obvious purpose of the devisor being that there should be a sale for the convenience of division between his devisees, that purpose could have no application to a case in which the devise wholly failed, and the heir would, therefore, take the whole interest as land."

Passing now to the case of money directed to be laid out in land, the rule is that (following *Ackroyd v. Smithson*) the surplus occasioned by a partial failure will result to the personal representatives of the testator,<sup>3</sup> but that (departing from *Smith v. Claxton*) the personal representatives will take it in its original form of personalty, and not in its converted form of realty.<sup>4</sup>

<sup>1</sup> 1 Bro. C. C. 503; 1 Lead. Cas. Eq. 872. The rule in *Ackroyd v. Smithson* would seem not to be applicable to cases in which sales are made by order of court. In *Steed v. Preece*, L. R. 18 Eq. 197, land had been sold to raise an infant's costs in a suit for partition, and it was held that the personal representative was entitled to the surplus as against the remainderman. See the remarks of Jessel, M. R., in this case. But a different conclusion was reached by Lord Romilly in *Cooke v. Dealey*, 22 Beav. 196; and see the note to *Fletcher v. Ashburner*, 1 Lead. Cas.

Eq. 864 (4th Eng. ed.). The decision in *Steed v. Preece* would, however, appear to be based upon the sounder view. See *Wallace v. Greenwood*, 16 Ch. D. 362; *Brett's Lead. Cas. Eq. 199*.

<sup>2</sup> 4 Mad. 492. See, also, *Martin's Appeal*, 148 Pa. 394-399 (where *Ackroyd v. Smithson* is stated); *Newby v. Skinner*, 1 Dev. & Bat. Eq. 488; *Bagster v. Fackerell*, 26 Beav. 469; *Wall v. Colthead*, 2 De G. & J. 683; *Dorsey v. Dodson*, 203 Ill. 32.

<sup>3</sup> *Cogan v. Stephens*, 1 Beav. 482, n.

<sup>4</sup> *Raynolds v. Godlee*, Johns. 536,

The reason for applying the principle of *Ackroyd v. Smithson* to the cases of conversion from personalty into realty is obvious; by so doing uniformity in the law is secured, and no just ground for making any distinction exists.<sup>1</sup> The reason for refusing to apply the rule in *Smith v. Claxton* to the case of a conversion from personalty into realty, is simply because, as the surplus goes to the executor, it *must* go as personalty; for "whatever he gets in *qua* executor he must hold as personalty."<sup>2</sup>

### 317. Conversion "out and out."

In England the tendency which exists to favor the heir has led the courts to draw a distinction between those cases in which there has been an intention to convert "out and out" (as it is termed), and those in which there is an intention to convert only for the purposes of the will; in the former case the heir will be excluded, in the latter he will take. The rule upon this subject has been stated to be "that unless the testator has sufficiently declared his intention, not only that the realty shall be converted into personalty for the *purposes of the will*, but further, that the produce of the real estate shall be taken as personalty, whether such purposes take effect or not, so much of the real estate or produce thereof as is not effectually disposed of by the will at the time of the testator's death (whether from the silence or inefficiency of the will itself, or from subsequent lapse) will result to the heir. But every conversion, however absolute in its terms, will be deemed a conversion for the purposes of the will only, unless the testator distinctly indicates an intention that it is, on the failure of those purposes, to prevail as between the persons on whom the law casts the real and personal property of an intestate, namely, the heir and next of kin."<sup>3</sup> To such an extent has this doctrine been carried in England, that in *Fitch v. Weber* it was held that the right of the heir was not defeated by an express declaration in the will that the fund should be considered

583; *Hawley v. James*, 5 Paige Ch. 318.

<sup>1</sup> See remarks of Lord Cottenham, when Master of the Rolls, in *Cogan v. Stephens*, 1 Beav. 482, n.

<sup>2</sup> *Reynolds v. Godlee*, Johns. 536, 583, *per* Vice-Chancellor Wood.

<sup>3</sup> Mr. Cox's note to *Cruse v. Barley*, 3 P. Wms. 22; 1 Jarm. on Wills, 530;

*Amphlett v. Parke*, 2 Russ. & My. 221; *Taylor v. Taylor*, 3 De G., M. & G. 190; *Robinson v. The Governors*, 10 Hare, 19; *Barrs v. Fewkes*, 2 Hem. & M. 60; and on rehearing, 11 J. (N. s.) 669; *Nagle's Appeal*, 13 Pa. 260, 284; *Bedford v. Bedford*, 35 Beav. 584; note to *Ackroyd v. Smithson*, 1 Lead. Cas. Eq. 889.

a personal fund, and should in no case lapse or result for his benefit.<sup>1</sup>

### 318. Doctrine in the United States on this subject.

In the United States the rule under consideration has not received a construction so favorable to the heir. In *Craig v. Leslie* it was said to be settled, "that, if the intent of the testator appears to have been to stamp upon the proceeds of the land described to be sold the quality of personalty, not only to subserve the particular purposes of the will, but to all intents, the claim of the heir-at-law to a resulting trust is defeated, and the estate is considered to be personal."<sup>2</sup> It was accordingly held that the blending of the proceeds of the realty with the personalty, so as to form a common fund, for all the purposes of the will, though it should happen that some of them fail, will render the conversion absolute.<sup>3</sup>

### 319. Conversion under instruments *inter vivos*.

Having considered the cases of the failure of the purposes of a conversion in *wills*, it will be proper to say a few words upon the same subject in cases under settlements or other instruments *inter vivos*. In such cases the rule is the same whether land is to be converted into money or money into land;<sup>4</sup> the surplus results always to the settlor in its converted, not in its original form.<sup>5</sup> The reason of the distinction, in this respect, between conversions under wills and those under conveyances *inter vivos*, is because in the latter cases the instrument takes effect upon its delivery, and therefore the deed operates simply as a declaration on the part of the settlor, "from the time I put my hand to this deed, I limit so much of this property to myself as personal property."<sup>6</sup>

### 320. Time from which a conversion takes place.

Having noticed the general effects and purposes of a conversion, the next subject for consideration is the *time* as from which the conversion is supposed to take place.

<sup>1</sup> 6 Hare, 145. See *De Beauvoir v. De Beauvoir*, 3 H. L. Cas. 524, for an illustration of the extent to which the heir is favored in England.

<sup>2</sup> 3 Wheat. 563.

<sup>3</sup> *Id.* See, also, *Burr v. Sim*, 1

Whart. 252; *Morrow v. Brenizer*, 2 Rawle, 185.

<sup>4</sup> *Snell's Principles of Equity*, 157.

<sup>5</sup> *Clarke v. Franklin*, 4 K. & J. 263.

<sup>6</sup> *Id.*

The general rule is that in the case of a will the conversion takes place from the death of the testator;<sup>1</sup> in the case of a deed, it takes place from the date of the delivery of the deed.

This rule, so far as it concerns deeds, is well illustrated by the case of *Clarke v. Franklin*.<sup>2</sup> There the trust was (after the determination of the life estate of the settlor) to sell certain real estate, and apply the proceeds first to making payments to certain persons who should then be living, and the residue to a charity. The charitable gift was void, and the question was whether the residue resulted to the heir or the next of kin of the settlor; and this depended, of course, upon the time as from which the conversion was to be considered as taking place. If the conversion took place immediately upon the delivery of the deed of settlement, then the residue would result to the settlor at once as personalty, and would on his death go to his next of kin; but if, on the other hand, the conversion did not take place until the time when the sale was (by the terms of the trust) to take place, viz., after the settlor's death, then in the *interim* the property continued to be real estate, and descended as such to the heir of the settlor. Vice-Chancellor Wood decided in favor of the personal representatives of the settlor; or, in other words, that the conversion had taken place as of the date of the delivery of the deed.

But this rule does not apply to the case of a mortgage with a power of sale; for the intention of the mortgagor cannot be presumed to be to work an immediate conversion, but only to raise money. Where, therefore, the mortgaged estate was sold after the death of the mortgagor, it was held that the surplus, after paying the mortgage-debt, went to the heir of the mortgagor, because the equity of redemption had descended to him.<sup>3</sup>

### 321. Conversion under optional contracts.

It has been already observed that a contract of sale which is binding on the vendor, will work a conversion, although the purchase is at the option of the vendee.<sup>4</sup> When the option is

<sup>1</sup> *Beaulerk v. Mead*, 2 Atk. 167. Land directed to be sold at the widow's death, and the proceeds to be divided among the children, was not converted into personalty at the time of the testator's death. *Wil-*

*liams v. Lobban*, 206 Mo. 399; *Stake v. Mobley*, 102 Md. 408.

<sup>2</sup> 4 K. & J. 257.

<sup>3</sup> *Wright v. Rose*, 2 Sim. & St. 323.

<sup>4</sup> *Ante*, § 313.

exercised the conversion takes place, and it will then relate back to the date of the contract, and the property will be considered as converted from that time.<sup>1</sup> If the option is exercised after the death of the vendor, and he has made no specific devise of the property, the purchase-money will go to his personal representatives generally; but if he has specifically, and in express terms, devised the land upon certain limitations, the purchase-money will go in accordance with those limitations.<sup>2</sup> If, however, a testator makes a specific devise, and after the execution of his will enters into a contract of sale at the option of the purchaser, the inference is that the testator meant his property to go according to the state to which it would be reduced by the exercise of that option, and the specific devisee will not take.<sup>3</sup>

Until the option to purchase is exercised, the intermediate rents will go to the persons who were entitled to the property up to that time as real estate.<sup>4</sup>

### 322. Reconversion may be by act of party or by act of law.

The last topic which requires notice under the head of Conversion is that of Reconversion, which has been defined to be "that notional or imaginary process by which a prior constructive conversion is annulled and taken away, and the converted property restored in contemplation of equity to its original actual quality."<sup>5</sup> In other words, a reconversion is where the direction to convert is countermanded by the parties entitled to the property, or by act of law.

And, first, the reconversion may take place by act of the party, or by election, as it is termed. The simplest case is where there is a trust to sell and pay the entire proceeds of the sale to A. Here A. has a right to say that he prefers to take the property in its original instead of its converted state; in other words, he elects to take the land.<sup>6</sup>

<sup>1</sup> *Lawes v. Bennet*, 1 Cox, 167. See *In re Isaacs* [1894], 3 Ch. 506, where *Lawes v. Bennet* was expressly approved and followed; and also *Newport Water Works v. Sisson*, 18 R. I. 411.

<sup>2</sup> See *Drant v. Vause*, 1 Y. & C. C. 580; *Collingwood v. Row*, 3 Jur. (N. s.) 735; *Snell's Eq.* 146.

<sup>3</sup> *Weeding v. Weeding*, 1 J. & H. 424.

<sup>4</sup> *Townley v. Bedwell*, 14 Ves. 591; *Ex parte Hardy*, 30 Beav. 206.

<sup>5</sup> *Snell's Principles of Equity*, 160.

<sup>6</sup> See *Bailey v. Allegheny Nat. Bank*, 104 Pa. 425-434; *Biedeman v. Sparks*, 61 N. J. Eq. 226; *Estate of Pfört*, 144 Cal. 129.

### 323. Election to reconvert may be either by express declaration or by acts.

This election may take place either by express declaration, or by some act indicating a preference to enjoy the land in its actual state.<sup>1</sup> The act, however, must be clear and unequivocal, and of such a character as to leave no reasonable doubt of the intent.<sup>2</sup> No inference, for example, can be drawn from mere lapse of time.<sup>3</sup> Nor can a reconversion take place as a general rule, unless all the parties in interest unite to elect; for where several persons have an interest in the proceeds of a sale, it does not lie in the power of any one of them to disappoint the others by preventing the sale from taking place.<sup>4</sup> Where, however, there was a direction to lay out a certain sum of money in land, to be equally divided between A., B., and C., and A. died leaving an infant heir, and B. and C., together with the infant heir, filed a bill for the money, it was held (although an infant cannot elect) that B. and C. were entitled to take their shares (two-thirds) in money.<sup>5</sup>

### 324. By whom such election may be made.

A remainderman cannot elect so as to affect the interests of owners of prior estates.<sup>6</sup> A lunatic cannot elect;<sup>7</sup> nor can an infant ordinarily,<sup>8</sup> but may do so when it is found to be for his benefit.<sup>9</sup>

Married women were in England formerly only able to effect a reconversion either by means of the pious fraud of a sham purchase of real estate, and a subsequent levying of a fine, or by coming into court, and there giving their consent to take

<sup>1</sup> *Davies v. Ashford*, 15 Sim. 42; *Mutlow v. Bigg*, 1 Ch. D. 393; *Bailey v. Allegheny Nat. Bank*, 104 Pa. 425; *Howell v. Mellon*, 189 Pa. 177.

<sup>2</sup> *Beatty v. Byers*, 18 Pa. 105.

<sup>3</sup> *Beatty v. Byers*, *supra*. The rule is the same when the power to elect is express. The express power confers only what the law without it would impliedly give. *Jones v. Caldwell*, 97 Pa. 442.

<sup>4</sup> *Holloway v. Radcliffe*, 23 Beav. 163; *Willing v. Peters*, 7 Pa. 290; *Beatty v. Byers*, 18 Id. 105; *Brown v. Miller*, 45 W. Va. 211; *Wayne v.*

*Fouts*, 108 Tenn. 145; *McWilliams v. Gough*, 116 Wis. 576; *Pasquay v. Pasquay*, 235 Ill. 48.

<sup>5</sup> *Seeley v. Jago*, 1 P. Wms. 389.

<sup>6</sup> *Spence's Eq.* 271; *Crabtree v. Bramble*, 3 Atk. 686; *Cookson v. Cookson*, 12 Cl. & Fin. 146; *Snell's Prin. of Eq.* 162.

<sup>7</sup> *Ashby v. Palmer*, 1 Mer. Ch. 296.

<sup>8</sup> *Seeley v. Jago*, 1 P. Wms. 389; *Robinson v. Robinson*, 19 Beav. 494. Except by sanction and order of court after due inquiry. *Duckworth v. Jordan*, 138 N. C. 520.

<sup>9</sup> *Robinson v. Robinson*, *ut sup.*



the money as personal estate.<sup>1</sup> The inconvenience attending these methods of effecting a reconversion finally led to the passage of a statute by which a married woman was permitted, by deed executed in compliance with its provisions, to make her election to take or dispose of money to be laid out in land.<sup>2</sup>

### 325. Reconversion by operation of law.

Reconversion sometimes takes place by operation of law. This occurs when a fund directed or covenanted to be laid out in real estate comes into the hands of the person for whose benefit the purchase is to be made, and in whom the entire right is vested, and he dies without making any declaration of his intention. The fund is then said to be "at home," and "being in the hands of one without any other use, but for himself, it will be money, and the heir cannot claim."<sup>3</sup> *Chichester v. Bickerstaff*<sup>4</sup> is a case which illustrates the doctrine of reconversion by operation of law. In that case Sir John Chichester, on his marriage with the daughter of Sir Charles Bickerstaff, covenanted to advance £1500 within three years to be laid out in land of which the ultimate limitation was to his right heirs. Within a year after the marriage, the wife died childless, and Sir John died three days after his wife. By his will he made Bickerstaff his executor, and his sister, Frances Chichester, his residuary legatee. His heir-at-law then filed a bill against Bickerstaff, claiming that as the £1500 was to have been laid out in land, it ought to go to him under the limitations in the settlement. But Lord Somers said that the money, though once bound by the articles, when the wife died without issue became free again; in other words, that it was then to be considered as *at home* in Sir John's hands. The bill was therefore dismissed.

<sup>1</sup> *Oldham v. Hughes*, 2 Atk. 452.

<sup>2</sup> 3 and 4 Will. IV., c. 74, § 77; *Forbes v. Adams*, 9 Sim. 462; *Snell's Eq.* 163, 164.

<sup>3</sup> *Per* Lord Thurlow in *Pulteney v.*

*Darlington*, 1 Bro. Ch. C. 223; 7 Bro. P. C. 530; *Rich v. Whitfield*, L. R. 2 Eq. 583; note to *Fletcher v. Ashburner*, 1 Lead. Cas. Eq. 838.

<sup>4</sup> 2 Vern. 295.

## CHAPTER VI.

## ADJUSTMENT.

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| <p>326. Equities to be considered under Adjustment; Set-off, Contribution, Exoneration, Subrogation, and Marshalling.</p> <p>327. Set-off.</p> <p>328. Contribution; application most frequent in case of sureties.</p> <p>329. No contribution originally enforceable at law; advantages of equitable proceeding.</p> <p>330. General rules as to right of contribution.</p> <p>331. Exoneration; not originally enforceable at law.</p> <p>332. Cases in which these equities are usually applied.</p> <p>333. Sales of different parcels of mortgaged land to successive purchasers.</p> <p>334. General average.</p> <p>335. Subrogation; nature of the right.</p> <p>336. Judgment may be kept alive after it is paid, in order to protect equities.</p> <p>337. Extent of the doctrine of subrogation.</p> | <p>338. Qualifications.</p> <p>339. Surety can compel a creditor to make a prompt use of his remedies.</p> <p>340. Marshalling.</p> <p>341. Usually enforced through the medium of subrogation.</p> <p>342. How the equity of marshalling is sometimes qualified.</p> <p>343. Its application in cases of bankruptcy.</p> <p>344. Cases in which this equity is usually applied in the United States; doctrine of <i>Fosdick v. Schall</i>.</p> <p>345. Marshalling as applied to estates of decedents.</p> <p>346. Order in which assets of a decedent are applied to the payment of his debts.</p> <p>347. How the general personality may be exonerated.</p> <p>348. Exoneration by implication.</p> <p>349. When realty and personality contribute <i>pro rata</i>.</p> <p>350. Assets will not be marshalled in favor of a charity.</p> |
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**326. Equities to be considered under Adjustment; Set-off, Contribution, Exoneration, Subrogation, and Marshalling.**

THE equities which may be classed under the general head of adjustment, are those which are applied mainly to the determination of the rights and liabilities which grow out of the relation of debtor and creditor, although they are also applicable to those which arise out of various other relations. Taking the position of debtor and creditor as a type, it is plain that the rights and liabilities arising therefrom may exist between

the debtor and creditor simply; or between debtors *inter sese*; or between debtors of a certain class on the one hand, and their co-debtors and the creditors on the other; or, finally, between creditors of a certain class on the one hand, and their co-creditors and the debtor, and volunteers claiming under them, on the other; and that these rights and liabilities may thus be of a greater or less complicated character, and be affected by few or many considerations.

From these different positions which parties may thus occupy towards each other, spring the different equities of Set-off, Contribution, Exoneration, Subrogation, and Marshalling.

They may all be conveniently classed under the general head of Adjustment of Liabilities; for they all depend upon the application of certain general maxims which tend to prevent circuity of action, to throw burdens upon those who should justly bear them, but only in their due proportion and in their proper order, and to secure benefits to those who are of right entitled thereto, consistently with, and with just regard to, the rights of others. The maxims referred to are such as express the general principles of law and equity, that he who reaps the benefit should also incur the burden, that equality is equity, and the like; and they all look to the orderly and equitable enforcement of liabilities against the parties by whom, and in favor of those to whom, they are justly due.

### 327. Set-off.

"The foundation of set-off," said Mr. Justice Mitchell, of the Supreme Court of Pennsylvania, "is the prevention of circuity of action. . . . The whole doctrine is founded on equitable principles."<sup>1</sup> Being built on equitable principles, it will not be allowed where injustice would result to third parties who have acquired rights through the defendant.<sup>2</sup> This right (of set-off), although it did not originally exist at common law, was, nevertheless, so effectually introduced by statute, that it now, perhaps, furnishes no ground for interference by a chancellor as an *equitable right*.<sup>3</sup> It is, indeed, largely applied in equity in bills for

<sup>1</sup> Hibert v. Lang, 165 Pa. 441; Leitz v. Hohman, 207 Pa. 291. And see the language of Chief Justice Gibson in Frantz v. Brown, 1 P. & W. 257.

<sup>2</sup> Gauche v. Milbrath, 105 Wis. 355;

to the same effect, Stanley v. Buck, 107 Id. 225.

<sup>3</sup> For an account of the principles upon which equity originally allowed the right of set-off, and the manner in which the necessity for the exercise of

an account; but that is, as will be seen, an *equitable remedy* which depends for its existence and exercise, not upon the refusal of courts of law to recognize a right, but from their inability, conveniently and properly, to administer it. Some claims, also, could be set off in equity which might not have been allowed at law, as, for example, a debt which had been assigned, and which (being a *chose in action*, and, therefore, not assignable at law) could be, in equity alone, treated as belonging to the assignee, and, therefore, in equity alone could be made available as a set-off.<sup>1</sup> But it is obvious that cases such as these depend upon certain equitable titles or equitable rights, already noticed; and that the enforcement of the right of set-off in bills for an account is referable to that equitable remedy, under which head it will be considered.<sup>2</sup>

Nevertheless, these remarks must be taken with some qualification. Cases do arise, even under the modern common-law and statutory liberality as to set-off, in which a set-off at law is not admissible. Thus, it has been held that where the right of

its jurisdiction came to be superseded by statute, see *Ex parte Stephens*, 11 Ves. 27; *Green v. Farmer*, 4 Burr. 2220, 2221; *Freeman v. Lomas*, 9 Hare, 116. See, also, *Duncan v. Lyon*, 3 Johns. Ch. 358; *Dale v. Cooke*, 4 Id. 11; *Simpson v. Hart*, 1 Id. 94; *Brown v. Hendrickson*, 16 Am. Law Reg. (N. S.) 619; *Howe v. Sheppard*, 2 Sumn. 133; *Greene v. Darling*, 5 Mason, 207; *Gordon v. Lewis*, 2 Sumn. 628; *Blake v. Langdon*, 19 Vt. 485; *Matson v. Oberne*, 25 Ill. App. 213; *Story's Eq. §§ 1430 et seq.*

<sup>1</sup> See *Haynes's Outlines of Equity*, 158, and notes to *Rose v. Hart*, 2 Sm. Lead. Cas. 293.

Where there exists mutual subsisting debts or demands between two several partnerships, and the surviving member of one of the partnerships brings a suit against one of the members of the other partnership individually, upon a debt due the plaintiff partnership and this suit is brought after the Statute

of Limitations has perfected a bar as to the claim of the partnership of which the defendant is a member as to any independent action on such debt, the partnership of which the defendant is a member can maintain a bill in equity to be allowed to set off such claim against the claim of the plaintiff. *Fowler v. Bellinger*, 140 Ala. 240.

<sup>2</sup> In general, in order to support a set-off there must be cross demands between the same parties and in the same rights, such as would sustain mutual actions against each other, yet wherever there is the practicability of avoiding circuitry of action and needless costs, with safety and convenience to all parties, or where there is a special equity to be subserved, and no equity of third parties to be injured, a set-off will be allowed upon equitable principles, though the case does not come within the language of the statute. *Craighead v. Swarts*, 219 Pa. 149.

the defendant is simply to call the plaintiff to an account, and his demand is such as must be settled in account render or by bill in equity, a set-off in an action at law cannot be allowed.<sup>1</sup> In these cases, and possibly some others, the remedy, if any exists, must be by bill in equity;<sup>2</sup> and Courts of Chancery frequently deviate from the strict rule of mutuality when the justice of the particular case (*e. g.*, insolvency of one of the parties) requires it.<sup>3</sup> Thus, in a recent case in Wisconsin, it was said that courts exercising chancery jurisdiction have fully recognized the doctrine of equitable set-off and enforce it independently of statute.<sup>4</sup>

### 328. Contribution; application most frequent in case of sureties.

The equities to be considered at present are those of Contribution, Exoneration, Subrogation, and Marshalling.

The equity of Contribution arises when one of several parties who are liable to a common debt or obligation discharges the same for the benefit of all. It is founded not on contract, but on the general principles of justice stated above.<sup>5</sup> But it can-

<sup>1</sup> *Russell v. Miller*, 54 Pa. 154.

<sup>2</sup> See further on this subject, and as examples of cases in which a set-off may be enforced in equity which could not be allowed at law, *Gay v. Gay*, 10 Paige Ch. 369; *Ferris v. Burton*, 1 Vt. 439; *Foot v. Ketchum*, 15 Id. 258; *Lee v. Lee*, 31 Ga. 26; *Hecht v. Furniture Co.*, 114 Ga. 121; *Lindsay v. Jackson*, 2 Paige Ch. 581; *Ainslie v. Boynton*, 2 Barb. 258; *Jeffries v. Evans*, 6 B. Mon. 119; *Hughitt v. Hayes*, 136 N. Y. 163; *Scott v. Armstrong*, 146 U. S. 499; *Bibb L. L. Co. v. Lima Machine Works*, 104 Ga. 116; *Markell v. Ray*, 75 Minn. 138; *Robinson v. Kunkleman*, 117 Mich. 193.

<sup>3</sup> See the language of Chief Justice Fuller in *Scott v. Armstrong*, 146 U. S. 507, and the authorities cited by him; also *Armstrong v. Warner*, 49 Ohio St. 376, and *Richardson v. Doty*, 44 Neb. 73. But in *St. Paul, etc., Trust Co. v. Leck*, 57 Minn. 87; *Me-*

*chanics' Bank v. Stone*, 115 Mich. 648, and *Northern Trust Co. v. Healy*, 61 Minn. 230 (cases of insolvency), the right of set-off was denied. Insolvency or non-residence. *Porter v. Roseman*, 165 Ind. 260.

<sup>4</sup> *Momsen v. Noyes*, 105 Wis. 565.

<sup>5</sup> *Dering v. Earl of Winchelsea*, 1 Cox, 318; 1 Lead. Cas. Eq. 100, *Whiting v. Burke*, L. R. 10 Eq. 539; 6 Ch. 342; *Yonge v. Reynell*, 9 Hare, 809; *Stirling v. Forrester*, 3 Bligh, 575; *McMahon v. Fawcett*, 2 Rand. 514; *Moore v. Moore*, 4 Hawks, 358, 360; *Moore v. Isley*, 2 Dev. & Bat. Eq. 372; *Allen v. Wood*, 3 Ired. Eq. 386; *Screven v. Joyner*, 1 Hill Eq. 252; *McKenna v. George*, 2 Rich. Eq. 15; *Breckinridge v. Taylor*, 5 Dana, 110; *Mills v. Hyde*, 19 Vt. 59; *Strong v. Mitchell*, Id. 644; *Craig v. Ankeney*, 4 Gill, 225; *Campbell v. Mesier*, 4 Johns. Ch. 334; 6 Id. 21; *Van Winkle v. Johnson*, 11 Oreg. 469; *Eads v. Retherford*, 114 Ind. 273; *Vogle*

not be enforced on any ground of fraud; that is to say, when a fraud is attempted to be practised on several persons, and one, alone, suffers damage, the injured party has no right to call upon the others, against whom the deceit was designed to be practised, for contribution.<sup>1</sup> The application of this equity is seen most frequently in the case of sureties; but it will, of course, be borne in mind, that the rules stated in regard to this particular class of debtors are, in general, true as to all parties who are liable in common to a debt or charge of any kind.<sup>2</sup>

Where there are two or more sureties, and one pays the debt for which all are bound, the surety who pays has the right to recover from each of his co-sureties his proportionate share of the common burden; in other words, he has the right to enforce contribution. This right may be asserted through the medium of a bill in equity.

### **329. No contribution originally enforceable at law ; advantages of equitable proceeding.**

No contribution could have been enforced at common law, and the relief given in equity was consequently based upon the general principle that no redress could be had elsewhere.<sup>3</sup> Subsequently, however, the common-law courts began to administer relief by virtue of an implied assumpsit, and the remedy thus established has been applied, especially in this country, to most cases of contribution.<sup>4</sup> Nevertheless, the remedy in

*v. Brown*, 120 Ill. 338; *Tomlinson v. Bury*, 145 Mass. 346; *Odiorne v. Moulton*, 64 N. H. 211; *Birmingham v. Forsythe*, 26 S. C. 358; *Robinson v. Boyd*, 60 Ohio, 57; *Sherling v. Long*, 122 Ga. 797; *Sparks v. Childers*, 2 Ind. Ter. 187; *Putnam v. Misochi*, 189 Mass. 421.

<sup>1</sup> *Grubb v. Cottrell*, 62 Pa. 23. See, also, *Peck v. Ellis*, 2 Johns. Ch. 136.

<sup>2</sup> As an illustration of the cases in which this equity arises and of the necessity for relief by bill in equity, see *Fulton's Appeal*, 95 Pa. 323.

<sup>3</sup> Note to *Dering v. Earl of Winchelsea*, 1 Lead. Cas. Eq. 100; *Harris v. Ferguson*, 2 Bailey, 397; *Norton v. Coons*, 3 Denio, 130.

<sup>4</sup> *Johnson v. Johnson*, 11 Mass.

359; *Bezzell v. White*, 13 Ala. 422; *Fletcher v. Grover*, 11 N. H. 368; *Agnew v. Bell*, 4 Watts, 31; *Mason v. Lord*, 20 Pick. 447; *Norton v. Coons*, 3 Denio, 130; *Foster v. Johnson*, 5 Vt. 60; *Boyd v. McDonough*, 39 How. Pr. R. 389. Payment of the debt by one of several joint debtors will not operate as an extinguishment or preclude a recovery for his benefit against all, if the circumstances indicate that the intention was to purchase the demand and not to satisfy it, and if no duty is violated by keeping it alive. See *McIntyre v. Miller*, 13 Mees. & Wels. 247; *Taylor v. Van Deusen*, 3 Gray, 498; note to *Dering v. Earl of Winchelsea*, 130 (4th Am. ed.). The subject in Eng-

equity is, in many respects, superior. At law separate actions would have to be brought against each co-surety; whereas, in equity, all of the co-sureties could be made liable in the same bill, and the rights of sureties as against the principal could be adjusted in the same action.<sup>1</sup> Hence, it has been held that the complexity of an agreement, and the multiplicity of suits and the successive sets of suits to which it might give rise at law, are grounds upon which a Court of Chancery might properly entertain a bill for the adjustment of the contributions called for by the agreement in one suit.<sup>2</sup> At law the co-surety was compellable only to contribute his *pro rata* proportion, having regard to the whole number of sureties, without reference to the fact that some one or more of them might be insolvent;<sup>3</sup> whereas, in equity, the burden of the debt is divided among the solvent sureties, and the party paying, therefore, recovers from each of the others an amount dependent upon the number of those who are actually able to pay.<sup>4</sup> At law, contribution could not have been enforced against the representatives of a deceased surety; but in equity the rule is otherwise. It is, therefore, well settled that the jurisdiction of Courts of Chancery still remains.<sup>5</sup>

### 330. General rules as to right of contribution.

Such being the origin of contribution as an equity, a few of the principles by which its application is regulated may be briefly stated. A surety is not entitled to speculate upon the

land is now regulated by statute, 19 and 20 Vict., c. 97; and see *Batchellor v. Lawrence*, 9 C. B. (N. S.) 543, as to the right of a co-debtor paying a judgment to *compel* the creditor to assign it.

<sup>1</sup> See *Craythorne v. Swinburne*, 14 Ves. 160. See, also, *Black v. Shreeve*, 7 N. J. Eq. 440.

<sup>2</sup> *Black v. Shreeve*, 7 N. J. Eq. 457; *Dysart v. Crow*, 170 Mo. 275.

<sup>3</sup> *Cowell v. Edwards*, 2 B. & P. 268.

<sup>4</sup> *Burrows v. McWhann*, 1 Dess. 409; *Breckinridge v. Taylor*, 5 Dana, 110; *Hitchman v. Stewart*, 3 Drew. 271; *Mayor of Berwick v. Murray*, 7 De G., M. & G. 497; *Smith v. Mason*, 44 Neb. 610; *Potts v. Dulin*, 125 N. C. 413; *Sloan v. Gibbes*, 56 S. C. 480;

*Boutin v. Etsell*, 110 Wis. 276; *McDavid v. McLean*, 202 Ill. 354. Departure from the state has the same effect upon the rights and liabilities of the remaining sureties as insolvency. *McKenna v. George*, 2 Rich. Eq. 15; *Faurot v. Gates*, 86 Wis. 569; *McAllister v. Irwin*, 31 Colo. 254.

<sup>5</sup> *Wayland v. Tucker*, 4 Gratt. 267; *Couch v. Terry*, 12 Ala. 225; *Chipman v. Morrill*, 20 Cal. 130; *Wright v. Hunter*, 5 Ves. 792. Equity has jurisdiction where the estate of a deceased surety was settled before a cause of action on his bond accrued to enforce contribution out of lands held by his heirs. *Hall v. Cole*, 71 Ark. 601.

debt. If he compromises the claim, his co-sureties are entitled to the benefit of the compromise. They are responsible only for their proportion of the amount actually paid,<sup>1</sup> with interest.<sup>2</sup>

Before contribution can be enforced, the surety must actually have paid the debt;<sup>3</sup> and the payment must be compulsory.<sup>4</sup> This general rule, however, is not without exceptions; for it was held in a case in the English Chancery Division that a surety against whom judgment has been obtained, although he has paid nothing in respect thereof, may yet exact contribution from a fellow-surety.<sup>5</sup>

The surety must, moreover, resort in the first instance to the principal. It is only when he fails to obtain reimbursement from the principal that he is entitled to call upon his co-sureties.<sup>6</sup> On the other hand, the discharge of a surety from his principal obligation without discharging his co-sureties will not relieve him of his liability to them for contribution.<sup>7</sup>

The circumstance that the sureties are bound by different instruments, or at different times, does not affect the right of contribution, provided always that they are bound for the same debt, and really occupy towards each other the position of co-sureties.<sup>8</sup> But if each suretyship is a distinct and separate

<sup>1</sup> *Hickman v. McCurdy*, 7 J. J. Marsh. 555. Nor has a surety any right to speculate upon his principal. *Wynn v. Brooke*, 5 Rawle, 106; *Bonney v. Seely*, 2 Wend. 481; *Lawrence v. Blow*, 2 Leigh, 30.

<sup>2</sup> *Swan's Estate*, 4 Ir. Eq. 209.

<sup>3</sup> *Wood v. Leland*, 1 Met. 387; *Glass v. Pullen*, 6 Bush, 346; *Township of Canosia v. Township of Grand Lake*, 80 Minn. 357. But he may pay part of the debt by a set-off; and his right of subrogation will not be for the balance only, but will extend to the whole amount of the creditor's claim. *City of Keokuk v. Love*, 31 Ia. 119.

<sup>4</sup> *Ladd v. Chamber of Commerce*, 37 Oreg. 49.

<sup>5</sup> *Wolmershausen v. Gullick* [1893], 2 Ch. 514. See, also, *Smith v. Mason*, 44 Neb. 610, and *Fritch v. Bank*, 191 Pa. 288.

<sup>6</sup> See *Camp v. Bostwick*, 20 Ohio

St. 337. See, however, *Bowen v. Hoskins*, 45 Miss. 183. The rule at law is different, as the better opinion seems to be that in a common-law action a surety may recover from his co-surety without showing the insolvency of the principal. See the reason explained in 1 Lead. Cas. Eq. 169.

<sup>7</sup> *Clapp v. Rice*, 15 Gray, 557. A surety is entitled to share in any indemnity received by his co-surety, but such indemnity must have been paid out of the principal's money. *Hutchinson v. Roberts* (Del. Ch.) 11 Atl. Rep. 48.

<sup>8</sup> *Dering v. The Earl of Winchelsea*, 1 Cox, 318; *Armitage v. Pulver*, 37 N. Y. 494; *Breckinridge v. Taylor*, 5 Dana, 110, 112; *Bell v. Jasper*, 2 Ired. Eq. 597; *Stout v. Vance*, 1 Robinson (Va.), 169; *Warner v. Price*, 3 Wend. 397; *Coope v. Twynam*, 1 T. & R. 426; *Robinson v. Boyd*, 60 Ohio, 57.



transaction (as for distinct and separate portions of the same debt), the right of contribution will not exist.<sup>1</sup>

If the sureties are not bound for the same thing, or do not occupy towards each other the same relative positions, then one of three results may follow—either, first, the surety paying the debt may have no right of contribution; or, second, a surety first in point of time may have no remedy as against one who is subsequent; or, third, a subsequent surety may have no right as against the first.<sup>2</sup> Of the first of the above results, the case of a substituted surety is an illustration; he has, of course, no right of contribution as against the surety whose place he takes.<sup>3</sup> Of the second class, an instance may be found in a case in which a note was signed by A. as principal, and B. as surety, and then by C. as “surety for the above names,” and C. was held not liable to contribute to B.<sup>4</sup> The third of the above class of liabilities may be illustrated by the case of a person who becomes surety on a bail-bond or appeal-bond in an action against the principal in the original obligation, and is subsequently compelled to pay the debt. Such a surety, though subsequent in point of date, has no right to call upon a surety in the original obligation for contribution.<sup>5</sup> These various liabilities of sureties depend frequently upon the express understanding of the parties to the transaction, and oral testimony is, as a general rule, admissible to show what that understanding was.<sup>6</sup>

As the right of contribution is an equitable right, it will not be enforced as against superior equities of a third party,<sup>7</sup> or of the co-surety; nor will it be enforced to the prejudice or injury of the creditor.<sup>8</sup>

<sup>1</sup> *Moore v. Isley*, 2 Dev. & Bat. Eq. 372; *Langford v. Perrin*, 5 Leigh, 552; *Johnson v. Wild*, 44 Ch. D. 146.

<sup>2</sup> See American note to *Dering v. Earl of Winchelsea*, 1 Lead. Cas. Eq. 157.

<sup>3</sup> *Hutchins v. McCauley*, 2 Dev. & Bat. Eq. 399; *Longley v. Griggs*, 10 Pick. 121.

<sup>4</sup> *Harris v. Warner*, 13 Wend. 400; *Thompson v. Sanders*, 4 Dev. & Bat. 404.

<sup>5</sup> *Douglass v. Fagg*, 8 Leigh, 588; *Burns v. Huntingdon Bank*, 1 Pen.

& Watts, 395; *Schnitzel's Appeal*, 49 Pa. 23. See, however, *Hartwell v. Smith*, 15 Ohio St. 200.

<sup>6</sup> *Barry v. Ransom*, 12 N. Y. 462; *Apgar v. Hiler*, 4 Zab. 808; *Hendrick v. Whittemore*, 105 Mass. 23.

<sup>7</sup> *Erb's Appeal*, 2 P. & W. 296; *Bank of Penn. v. Potius*, 10 Watts, 152; *Union Bank v. Edwards*, 1 Gill & J. 346.

<sup>8</sup> *Hollingsworth v. Floyd*, 2 Har. & G. 87. In *Herr v. Barber*, 2 Mackey (D. C. Rep.), 545, it was held that one of several defendants guilty of a breach of trust who has paid a decree

### 331. Exoneration ; not originally enforceable at law.

As the right of contribution is one which exists between those who are equally liable for the same debt, so the right of Exoneration, as the term implies, exists between those who are successively liable. A surety who discharges an obligation is entitled to look to the principal for reimbursement, and to invoke the aid of a court of equity for this purpose,<sup>1</sup> and a subsequent surety who, by the terms of the contract, is responsible only in the case of the default of the principal and a prior surety, may claim exoneration at the hands of either.<sup>2</sup>

This right, like that of contribution, could not originally have been enforced at law ; but a legal remedy now exists by virtue of an implied promise to indemnify. The equitable jurisdiction, however, is still maintained, on principles which have been before referred to.

The better opinion seems to be that a surety is entitled to recover from the principal not only the amount of the debt which he has paid, but also the costs incurred.<sup>3</sup>

The surety is entitled to file a bill against the principal at any time after the debt has fallen due, to compel payment, although he may not have been sued.<sup>4</sup>

It has been observed by a very learned judge and author that in equity a person who is entitled to be indemnified against loss is not obliged to wait until he has suffered, and, perhaps, been ruined, before having recourse to judicial aid.<sup>5</sup> In the ordinary case of principal and surety, as soon as the creditor has acquired the right to immediate payment from the surety, the latter is entitled to call upon the principal debtor to pay the amount of the debt guaranteed, so as to relieve the surety from his obligation.<sup>6</sup> Upon this principle it has been held that where an agree-

against them all cannot enforce contribution in equity from the others.

<sup>1</sup> *Moore v. Young*, 1 Dana, 516; *Baxter v. Moore*, 5 Leigh, 219; *Badeley v. Consolidated Bank*, 34 Ch. D. 536; *Dowse v. Gorton* [1891], A. C. 190; *Wesley Church v. Moore*, 10 Pa. 273. The doctrine applies to a mortgage by a wife of her separate property for her husband's debt. *Aguilar v. Aguilar*, 5 Mad. 414; *Neimcewics v. Gahn*, 3 Paige Ch.

614; 11 Wend. 312; *Savage v. Winchester*, 15 Gray, 453.

<sup>2</sup> See *Harris v. Warner*, 13 Wend. 400; *Thompson v. Sanders*, 4 Dev. & Bat. 404.

<sup>3</sup> *Wynn v. Brooke*, 5 Rawle, 106; *Hayden v. Cabot*, 17 Mass. 169.

<sup>4</sup> *Beaver v. Beaver*, 23 Pa. 167; *Ardesco Oil Co. v. N. A. Mining Co.*, 66 Id. 375.

<sup>5</sup> *Lindley on Partnership*, Vol. I., p. \*375 (5th ed.).

<sup>6</sup> *Wooldridge v. Norris*, L. R. 6 Eq.

ment was entered into between two insurance companies, by which one agreed to re-insure certain risks of the other, the re-insured company could resort to equity to compel performance of the agreement without waiting to pay the original insured;<sup>1</sup> and this decision seems entirely warranted by the authorities already referred to. So, also, in conformity with the same principle, partners and directors who are individually liable to be sued on bonds and notes, which as between them and their co-partners are to be regarded as the bonds and notes of the firm or company, are entitled to call for contribution before the bonds and notes are actually paid.<sup>2</sup>

### 332. Cases in which these equities are usually applied.

The equity of exoneration is frequently applied in the administration of the assets of decedents. Thus, the personal property is generally the primary fund for the payment of debts; and hence it is well settled that if a person borrows money and gives his bond and mortgage for the debt, the mortgage is merely a collateral security for the personal obligation, and the heir or devisee may call upon the executor to exonerate the land by an application of the personal assets to the discharge of the mortgage.<sup>3</sup> The subject will be noticed hereafter.<sup>4</sup>

The equities of contribution and exoneration arise only when the payment is made in discharge of a binding obligation. If

410; *Nisbet v. Smith*, 2 Bro. Ch. C. 582. See, also, *Pride v. Boyce*, *Rice's Eq.* 276, 287; *Bishop v. Day*, 13 Vt. 81, 88; *Hoffman v. Johnson*, 1 Bland Ch. 103, 105; *Stevenson v. Taverness*, 9 Gratt. 398; *Rice v. Downing*, 12 B. Mon. 44; *Ellis v. Southwestern Land Co.*, 108 Wis. 313; note to *Dering v. Earl of Winchelsea*, 1 Lead. Cas. Eq. 135 (4th Am. ed.).

<sup>1</sup> *Gantt v. Amer. Cent. Ins. Co.*, 68 Mo. 503 (534); *Fame Ins. Co.'s Appeal*, 83 Pa. 405.

<sup>2</sup> *Norwich Yarn Co.'s Case*, 22 Beav. 143. See, also, *Hemming v. Maddick*, L. R. 7 Ch. 395; *Case of Oriental Commer'l Bank*, 3 Id. 791; *Cruse v. Paine*, L. R. 6 Eq. 641; 4 Ch. 441. A surety when sued upon

the bond cannot defend upon the ground that he was induced to sign by the fraudulent misrepresentations of the principal. *Bromberg v. Fidelity Co.*, 139 Ala. 338.

<sup>3</sup> See *Keyzey's Case*, 9 S. & R. 71; *Cumberland v. Codrington*, 3 Johns. Ch. 229, 257; *Hewes v. Dehon*, 3 Gray, 205; *Goodburn v. Stevens*, 1 Md. Ch. 420; note to *Duke of Ancaster v. Mayer*, 1 Lead. Cas. Eq. 642.

<sup>4</sup> See *post*, § 348. See *In re Gorton*, 40 Ch. D. 536, for an example of the doctrine of subrogation as applied to a case where executors have carried on a testator's business under trusts in his will, and the remarks of *Lindley, L. J.*, on p. 541.

the payment is voluntary, it gives no title to contribution. Thus, a co-owner cannot, as a general rule, claim a *pro rata* reimbursement for the amounts expended by him for meliorations and repairs to the property.<sup>1</sup>

No right of contribution exists where the demand is *ex delicto*.<sup>2</sup> In cases of breach of trust, however, not involving actual fraud, contribution may be enforced by trustees as between themselves.<sup>3</sup>

### 333. Sales of different parcels of mortgaged land to successive purchasers.

It has been stated, already, that the case of suretyship was only one instance of the general doctrine of contribution. Some other instances may be briefly noticed. If a mortgaged estate is sold to several parties, and one of the parties pays the mortgage, he will be entitled to contribution.<sup>4</sup> This equity is not binding on the creditor, but if he renders its performance impossible by cancelling the debt as against one of the lots when he has notice of the prior conveyance, he can only enforce payment of a proportionable share as against the others.<sup>5</sup> This rule does not apply when the purchases of the different parcels take place at different times. If any parcel remains in the hands of the vendor, that parcel will be first liable. The purchaser of the last lot will be liable to make good the loss incurred by the purchaser of a prior lot, and the first purchaser will be the last person who can be held responsible in respect of his lot. In

<sup>1</sup> *Hardy v. Sproule*, 31 Me. 71; *Reed v. Bachelder*, 34 Id. 205; *Turner v. Burrows*, 8 Wend. 144; *Anderson v. Greble*, 1 Ashm. 136; *Falcke v. Scottish Co.*, 34 Ch. D. 234; *Adams's Doct. of Eq.* 267.

<sup>2</sup> *Peck v. Ellis*, 2 Johns. Ch. 131; *Bartle v. Nutt*, 4 Pet. 184. See, for exceptions to the general rule, *Acheson v. Miller*, 2 Ohio St. 203; *Moore v. Appleton*, 26 Ala. 633. This rule applies only to those cases in which the party seeking contribution was guilty of intentional wrong. *Ankeny v. Moffett*, 37 Minn. 109.

<sup>3</sup> See *Hill on Trustees*, 814, notes (4th Am. ed.).

<sup>4</sup> *White v. White*, 9 Ves. 554;

*Jones v. Jones*, 5 Hare, 440; *Thomas v. Hearn*, 2 Porter, 262; *Chamberlayne v. Temple*, 2 Rand. 384; *Dupuy v. Johnson*, 1 Bibb, 562; *Poston v. Eubank*, 3 J. J. Marsh. 42; *Williams v. Craig*, 2 Edw. Ch. 297; *Aiken v. Gale*, 37 N. H. 501.

<sup>5</sup> *Stirling v. Forrester*, 3 Bligh (o. s.), 575, 590; *Stevens v. Cooper*, 1 Johns. Ch. 425; *Cheesebrough v. Millard*, Id. 409; *Guion v. Knapp*, 6 Paige Ch. 35; *Paxton v. Harrier*, 11 Pa. 312; *Jones v. Myrick*, 8 Gratt. 180; *George v. Wood*, 9 Allen, 83; *Stillman v. Stillman*, 21 N. J. Eq. 126; *Fassett v. Traber*, 20 Ohio, 540. See, also, *Lloyd v. Galbraith*, 32 Pa. 103; *Lock v. Fulford*, 52 Ill. 166.

other words, the purchasers will be liable in the inverse order of their purchases.<sup>1</sup>

This rule, of course, only applies when the sale of the lot is made free of encumbrances. If the purchaser takes it subject to the mortgage, the presumption is that the amount has been deducted from the purchase-money, and the burden of the mortgage ought, therefore, justly to fall upon the vendee; and in such a case, if the vendor or those claiming under him by subsequent sales are compelled to pay the mortgage, they will be entitled to contribution or exoneration, as the case may be, at the hands of the first purchaser.<sup>2</sup>

### 334. General average.

The doctrine of general average is another illustration of the right of contribution. It is called into play when a loss arises in consequence of extraordinary sacrifices made or expenses incurred for the preservation of the ship and cargo, in which case the loss must be borne proportionately by all who are interested. Thus, where goods are thrown overboard, or a portion of the ship's rigging cut away, to lighten and save the ship, or the ship itself is intentionally stranded to save her cargo from a tempest or an enemy, or a part of the cargo is delivered up by way of

<sup>1</sup> *Clowes v. Dickenson*, 5 Johns. Ch. 235; 9 Cow. 403; *Cowden's Est.*, 1 Pa. 267; *Mevey's Appeal*, 4 Id. 80; *Paxton v. Harrier*, 11 Id. 312; *Schrack v. Shriner*, 100 Id. 451; *Miligan's Appeal*, 104 Id. 503; *Holden v. Pike*, 24 Me. 427; *Sheperd v. Adams*, 32 Id. 63; *Allen v. Clark*, 17 Pick. 47 (though see *Parkman v. Welch*, 19 Id. 231); *Pallen v. Agricultural Bank*, 1 Freem. Ch. 419; *Agricultural Bank v. Pallen*, 8 Sm. & M. 357; *Thompson v. Murray*, 2 Hill Ch. 204, 213; *Wright v. Atkinson*, 3 Sneed, 585; *Conrad v. Harrison*, 3 Leigh, 532; *Blair v. Ward*, 10 N. J. Eq. 119; *Mount v. Potts*, 23 Id. 188; *Commercial Bank v. Western Reserve Bank*, 11 Ohio, 444; *Prickett v. Sibert*, 75 Ala. 315; *Ellis v. Fairbanks*, 38 Fla. 257; *Bradfield v. Sewall*, 58 Neb. 637; *Farmers' Savings Ass'n v. Kent*, 131 Ala. 246.

But in Kentucky, in *Dickey v. Thompson*, 8 B. Mon. 312, the Court of Appeals refused to follow the doctrine in *Clowes v. Dickenson*, and in Massachusetts its application would seem to depend upon the presence of covenants of warranty. *Chase v. Woodbury*, 6 Cush. 148; *Bradley v. George*, 2 Allen, 392; *George v. Wood*, 11 Id. 41. But elsewhere the question is considered one of *contract* simply, and the existence of the covenant is regarded merely as *evidence* by which the intention of the parties is to be ascertained. See *Rawle on Cov. for Title*, 532, 565 (4th ed.), where the authorities are examined. Am. note to *Aldrich v. Cooper*, 2 Lead. Cas. Eq. 293 (4th Am. ed.); *Vogle v. Brown*, 120 Ill. 338, and *Merced Bank v. Crocker Water Co.*, 141 Cal. 11.

<sup>2</sup> See 2 Lead. Cas. Eq. 303.

ransom, or is sold for the necessity of the ship; in all such cases, as the impending danger is common to all, the loss incurred in averting the same should be borne by all.

It was, at one time, thought that the sole jurisdiction to recover contribution in cases of general average resided in the Court of Chancery; but it is now settled that the jurisdiction of equity is only concurrent, and that the party seeking contribution may enforce his right through the medium of the common-law action of *assumpsit*.<sup>1</sup>

The equity of contribution also arises when one of several tenants in common of land which is subject to a lien, is compelled to pay more than his due proportion in discharge of the same.<sup>2</sup>

### 335. Subrogation ; nature of the right.

The equity of Subrogation springs naturally out of the two equities, just considered, of contribution and exoneration, and is, in fact, one of the means by which those equities are enforced.

Subrogation, as was stated in the Introduction,<sup>3</sup> is an equity called into existence for the purpose of enabling a party secondarily liable, but who has paid the debt,<sup>4</sup> to reap the benefit of any securities or remedies which the creditors may hold as against the principal debtor and by the use of which the party paying may thus be made whole.<sup>5</sup> This equity may be used to enforce

<sup>1</sup> See notes to *Birkley v. Presgrave*, 1 Tudor's Lead. Cas. Merc. Law, 83 (112, 1st Am. ed.).

<sup>2</sup> *Gearhart v. Jordan*, 11 Pa. 325; *Hebb v. Moore*, 66 Md. 167.

<sup>3</sup> *Ante*, § 27.

<sup>4</sup> See *Kyner v. Kyner*, 6 Watts, 227; *Forest Oil Co.'s Appeal*, 118 Pa. 145; *Ins. Co. of North Am. v. The Fidelity Title & Tr. Co.*, 123 Id. 525; *Fidelity Title & Tr. Co. v. People's Nat. Gas Co.*, 150 Id. 8; *Musgrave v. Dickson*, 172 Id. 629; *Lumberman's Ins. Co. v. Sprague*, 59 Minn. 208; *Insurance Co. v. Railroad Co.*, 132 N. C. 75. In *Life Ins. Co. v. Parker & Co.*, 96 Tex. 287, subrogation was refused to an accident insurance company in respect of a claim against a railroad

company on the part of the injured person. But until the surety actually *pays* the creditors he is not entitled to subrogation. *Kyner v. Kyner* and other cases cited in the note, *supra*; also *Parrott v. Chestertown Bank*, 88 Md. 515. In *Myers v. Miller*, 45 W. Va. 595, it was contended that one could not be subrogated to the rights of the state, but the court decided against the contention. See *post*, § 338.

<sup>5</sup> *Forest Oil Co.'s Appeal*, 118 Pa. 145; *Schillb v. Moon*, 50 W. Va. 47; *Sands v. Durham*, 98 Va. 392. A surety who has paid the debt of his principal is entitled to be subrogated to all the rights of the creditor against the principal *and also to the*

the equity of exoneration as against the principal debtor, or of contribution as against others who are in the same rank.<sup>1</sup>

Suppose, for example, A. to be a creditor of B., and C. and D. to be sureties for B., and A., moreover, to possess the additional security of a mortgage on B.'s real estate. If, now, C. pays the debt, he will be entitled to have an assignment of the mortgage, and to enforce it against B.'s real estate, in order to assert his right of exoneration.<sup>2</sup>

So, also if a co-surety has a security from the principal, the surety paying the debt will be entitled to the benefit of this security.<sup>3</sup>

Let us take another instance: Suppose A., the obligor on a bond to B., mortgages his land to B. to secure the payment of the bond, and that, afterwards, A. incurs another debt upon which judgment is obtained and the land is sold at sheriff's sale. Let it further be supposed that under the law which prevails in

*rights of the creditor against other persons who were liable for the debt.* When the principal is a fiduciary and has been guilty of a breach of trust, his surety upon paying the debt is subrogated to the remedies of the *cestui que trust* against those who participated in the breach of trust. *American Bonding Co. v. Mechanics' Bank*, 97 Md. 598.

<sup>1</sup> See *Hess's Estate*, 69 Pa. 272; *New Orleans v. Gaines*, 138 U. S. 595; note to *Dering v. Earl of Winchelsea*, 1 Lead. Cas. Eq. 136 (4th Am. ed.). *State v. Perkins*, 114 La. 302. An insurer who pays a loss caused by a carrier's negligence is subrogated to the assured's rights against such carrier. The carrier's liability is primary, that of the insurer secondary. *Railway Co. v. Manchester Mills*, 88 Tenn. 653; *Lumbermen's Mut. Ins. Co. v. Railroad Co.*, 149 Mo. 165; *Caledonia Ins. Co. v. Northern Pacific Ry. Co.*, 32 Mont. 46. An accident insurance company is not entitled to be subrogated to the claim of insured against a railway company for negligence causing his in-

jury, on payment of the indemnity stipulated in the policy; nor can it defend against the claim of insured because he has settled with and released such railway company. *Ætna Ins. Co. v. Parker*, 96 Tex. 287.

<sup>2</sup> See *Drew v. Lockett*, 32 Beav. 499. See, also, *Billings v. Sprague*, 49 Ill. 509; *Kirkman v. The Bank*, 2 Cold. 397; *Dearborn v. Taylor*, 18 N. H. 153; *Klopp v. Lebanon Bank*, 46 Pa. 88; *McNeills v. McNeilla*, 36 Ala. 109; *Sears v. Laforce*, 17 Ia. 473; *Lewis v. Palmer*, 28 N. Y. 271; *Davison v. Gregory*, 132 N. C. 389; *Storms v. Storms*, 3 Bush, 77; *Irick v. Black*, 17 N. J. Eq. 189; *Rhame v. Lewis*, 13 Rich. Eq. 269.

<sup>3</sup> *Copis v. Middleton, T. & R.* 231; *Parham v. Green*, 64 N. C. 436; *McCune v. Belt*, 45 Mo. 174; *Hinsdill v. Murray*, 6 Vt. 136; *Aldrich v. Hapgood*, 39 Id. 617; *Brown v. Ray*, 18 N. H. 102; *Agnew v. Bell*, 4 Watts, 31; *Moore v. Moore*, 4 Hawks, 358; note to *Dering v. Earl of Winchelsea*, 1 Lead. Cas. Eq. 162. See, however, *Hall v. Cushman*, 16 N. H. 462.

the jurisdiction in which the sale takes place, the title thus acquired by the purchaser (whom we will call C.) is held by him subject to the mortgage-debt and that for the payment of this debt the land is primarily liable. If, now, A. is sued on his bond and compelled to pay, he will be subrogated to the rights of B., and will be entitled to enforce the mortgage against the land in the hands of C.; for C., by taking title subject to the mortgage, has made the land primarily liable and A. now stands in the attitude of surety only.<sup>1</sup>

The same doctrine is also frequently applied when a junior encumbrancer is compelled, for his own protection, to pay off a prior lien.<sup>2</sup>

A comprehensive classification of the cases in which the doctrine is applied, is difficult; but most instances would seem to fall within one or the other of the classes suggested by a Georgia decision in which it was said that a subrogation will arise only in the cases where the party claiming it has advanced the money to pay a debt, which in the event of default by the debtor he would be bound to pay, or where he had some interest to protect, or where he advanced money under an agreement express or implied made either with the debtor or creditor that he would be subrogated to the rights and remedies of the creditor.<sup>3</sup>

### **336. Judgment may be kept alive after it is paid, in order to protect equities.**

This equity of subrogation is one eminently calculated to do exact justice between persons who are bound for the performance of the same duty or obligation, and is one, therefore, which is much encouraged and protected. This may be seen from the rule which allows the surety to keep alive a judgment for the purpose of obtaining satisfaction out of the principal. Ordinarily the payment of a debt operates as its extinguishment, and the judgment obtained for the debt would necessarily fall with it. To apply the rule to the case of a surety paying the debt would

<sup>1</sup> *Steel v. Walter*, 204 Pa. 257, and cases cited on pp. 267 *et seq.*

<sup>2</sup> *Silver Lake Bank v. North*, 4 Johns. Ch. 370; *Mosier's Appeal*, 56 Pa. 76. See, also, *Wallace's Appeal*, 5 Id. 103; *Reyburn v. Mitchell*, 106 Mo. 365; *Aultman v. Bishop*, 53 Neb. 545; *Smith v. Stephens*, 164 Mo. 415. *Bennett v. Bank*, 128 Ia. 1.

In *Wilkins v. Gibson*, 113 Ga. 31, it was held that there may be subrogation where the junior encumbrancer pays only part of the debt, if the whole debt be paid.

<sup>3</sup> *Wilkins v. Gibson*, 113 Ga. 31; *McCowan v. Brooks*, Id. 532.



obviously work injustice in many instances; for, by coming in as a simple contract creditor, the surety might lose his chance of reimbursement. It has, accordingly, been held, and must be considered to be the generally received doctrine, that a surety, who pays a debt which has been reduced to judgment, is entitled to have the judgment kept alive for his benefit, and to enjoy, as against the principal debtor, and also as against a co-surety, exactly the same advantages which could have been claimed by the judgment-creditor.<sup>1</sup> In England, indeed, the law had been settled the other way by Lord Eldon,<sup>2</sup> whose ruling was followed by Lord Brougham;<sup>3</sup> but the hardship of his ruling led ultimately to the passage of a statute authorizing the judgment to be kept alive for the benefit of sureties;<sup>4</sup> and the ruling in this country, except in Alabama, North Carolina, and Vermont,<sup>5</sup> has been the other way, and the doctrine established as above stated.<sup>6</sup> Payment of the debt, in short, is considered to operate as an assignment of it; and the equity of subrogation has received a more liberal construction in this country than in England.<sup>7</sup>

<sup>1</sup> *Bank v. Opera House Co.*, 23 Mont. 34; *Davis v. Vass*, 47 W. Va. 811. The same doctrine has been applied where an intending purchaser of land pays off liens. In such a case equity will treat him as the assignee of such liens, although they may have been marked of record satisfied. *Fowler v. Maus*, 141 Ind. 47; *Home Inv. Co. v. Clarkson*, 15 S. Dak. 513; *Fulkerson v. Taylor*, 100 Va. 428.

<sup>2</sup> *Copis v. Middleton*, 1 T. & R. 229.

<sup>3</sup> *Hodgson v. Shaw*, 3 My. & K. 190.

<sup>4</sup> 19 and 20 Vict., c. 97.

<sup>5</sup> *Houston v. Bank of Huntsville*, 25 Ala. 250; *Briley v. Sugg*, 1 Dev. & Bat. Eq. 366; *Fidelity Co. v. Jordan*, 134 N. C. 236; *Pierson v. Catlin*, 18 Vt. 77.

<sup>6</sup> *Lidderdale v. Robinson*, 2 Brock. 160; 12 Wheat. 594; *Lathrop & Dale's Appeal*, 1 Pa. 512; *Cottrell's Appeal*, 23 Id. 294; *Baily v. Brownfield*, 20 Id. 41; *Wright v. Grover*, 82

Id. 80; *Fleming v. Beaver*, 2 Rawls, 128; *Goodyear v. Watson*, 14 Barb. 481; *Marsh v. Pike*, 10 Paige Ch. 595; *Tinsley v. Anderson*, 3 Call, 285; *Powell's Ex'rs v. White*, 11 Leigh, 309; *McDougal v. Dougherty*, 14 Ga. 674; *Burrows v. McWhann*, 1 Dess. 409; *Norwood v. Norwood*, 2 Har. & J. 238; *Watkins v. Worthington*, 5 Bland, 509; *Atwood v. Vincent*, 17 Conn. 575; *Norton v. Soule*, 2 Greenl. 341; *Neilson v. Fry*, 16 Ohio St. 552; *Allen v. Dermott*, 80 Mo. 56; *Bushong v. Taylor*, 82 Id. 660; *Heisler v. Aultman*, 56 Minn. 454; Am. note to *Dering v. Earl of Winchelsea*, 1 Lead. Cas. Eq. 137 *et seq.* (4th Am. ed.). The surety must assert his equitable right before his legal remedy is barred. *Junker v. Rush*, 136 Ill. 179; *Pollock v. Wright*, 15 S. Dak. 134.

<sup>7</sup> See *Draper v. Ashley*, 104 Mich. 527; *Gore v. Brian*, 35 Atl. (N. J. Eq.) 897; *McClure v. Johnson*, 10 Okla. 663, 668.

### 337. Extent of the doctrine of subrogation.

The creditors of a surety whose liens upon the surety's real estate are disturbed by its application to pay the debt of the principal are entitled to the same right of subrogation as the surety himself;<sup>1</sup> and this right, after it has become fixed, cannot be defeated by the assignment or transfer of the surety,<sup>2</sup> although it may be so defeated, before it becomes absolute, by the surety's transfer.<sup>3</sup> On the other hand, the assignee of the debt, or a subsequent guarantor of the same, will be entitled to be subrogated to all the remedies against the original surety.<sup>4</sup>

A mere volunteer who pays the debt cannot claim to be subrogated.<sup>5</sup> If such payment is in fact a purchase of the debt, and is intended to operate as such, the assignee will acquire as an incident to his purchase the right of subrogation; and the question of subrogation in such a case is one of law, dependent, however, upon the preliminary question of fact whether a purchase or extinguishment of the debt was intended.<sup>6</sup> The mere fact that, with the proceeds of a later mortgage, a prior mortgage was paid off for the purpose of removing the lien thereof, affords no ground for subrogating the junior mortgagee to the right of the former mortgagee upon its being discovered that a lien had arisen intermediate between the two mortgages.<sup>7</sup>

<sup>1</sup> *Neff v. Miller*, 8 Pa. 348. In this case *Harrisburg Bank v. German*, 3 Id. 303, was overruled. See *Huston's App.*, 69 Id. 488. See, also, *Gearhart v. Jordan*, 11 Id. 325, and *Lloyd v. Galbraith*, 32 Id. 103.

<sup>2</sup> *Huston's Appeal*, 69 Pa. 485.

<sup>3</sup> *Cunningham v. Macon and Brunswick R. R.*, 156 U. S. 419.

<sup>4</sup> *Hughes v. Littlefield*, 18 Me. 400; *Carter v. Jones*, 5 Ired. Eq. 196; *Mathews v. Aiken*, 1 Comst. 595; *Talmage v. Burlingame*, 9 Pa. 21; *Peak v. Dorwin*, 25 Vt. 28. See *Haverford L. & B. Ass'n v. Fire Ass'n*, 180 Pa. 528.

<sup>5</sup> *Webster & Goldsmith's App.*, 86 Pa. 409; *In re N. R. Constr. Co.*, 38 N. J. Eq. 433; *Wormer v. Waterloo Agr. Works*, 62 Ia. 699; *Matteson v. Dent*, 112 Id. 551; *Montgomery v. City Council*, 40 C. C. A. 108; *Weil v.*

*Ginnery Co.*, 42 La. Ann. 492; *Wadsworth v. Blake*, 43 Minn. 509; *Desot v. Ross*, 95 Mich. 81; *Bennett v. Chandler*, 199 Ill. 97; *Roberts v. Best*, 172 Mo. 67; *Suddath v. Gallagher*, 126 Id. 393; *Gunter v. Addy*, 58 S. C. 178; *Watkins v. Williams*, 63 Kan. 30. And see *Morgan's, etc., Co. v. Tex. Cent. Ry. Co.*, 137 U. S. 198; *Sharp v. Bank*, 70 Neb. 758.

<sup>6</sup> See *Swan v. Patterson*, 7 Md. 164; *Contocook Precinct v. Hopkinton*, 71 N. H. 574; *Belshaw v. Bush*, 11 C. B. 191; *Crippen v. Chappel*, 35 Kan. 495; Am. note to *Dering v. Earl of Winchelsea*, 1 Lead. Cas. Eq. 155.

<sup>7</sup> *Hoagland v. Green*, 54 Neb. 164. Where one of several tenants in common pays off an encumbrance upon the common estate, a court of equity will consider the encumbrance as still existing in order to enforce

It was held in a case in South Carolina, decided in 1893, that where a *bona fide* purchaser at a void judicial sale, who thought that he was taking a good title, has paid his bid and the money has been applied to the payment of a mortgage-debt, he is entitled to be subrogated to the rights of the mortgagee.<sup>1</sup> Upon the same ground it was held, in *Evertson v. The Central Bank*, that where money loaned on a forged mortgage was applied to the payment of a prior and valid mortgage, the mortgagee under the forged mortgage could successfully claim to be subrogated to the rights of the prior mortgagee.<sup>2</sup>

On the other hand, in *Campbell v. Foster Home*, decided by the Supreme Court of Pennsylvania in 1894, it was held that a mortgagee under a forged mortgage, who, under the impression that he was taking a good title as mortgagee, paid off a prior and valid mortgage, was not entitled to be subrogated to the rights of the prior mortgagee, on the ground (*inter alia*) that he was a mere stranger who had voluntarily paid another's debt.<sup>3</sup>

Under this conflict of authorities perhaps the doctrine may be fairly stated to be that, as a general rule, a *supposed* interest is

contribution from the co-tenants, or as extinguished, according to the justice of the case and the actual intention of the party making the payment. *Kinthead v. Ryan*, 65 N. J. Eq. 726.

<sup>1</sup> *Bailey v. Bailey*, 41 S. C. 337. To the same effect is *Dutcher v. Hobby*, 86 Ga. 198. See, also, *Hunter v. Hunter*, 58 S. C. 382, for an analogous case. Where one loans money which is actually used in paying off a valid encumbrance on property with an agreement with the borrower that he shall have a valid mortgage on such property and a mortgage is given which afterward proves to be void because of defective execution, such mortgagee is entitled to be subrogated to the right of the mortgagee whose mortgage he paid to the amount paid by him for the release. *Warne v. Morgan*, 68 Kan. 450.

<sup>2</sup> *Evertson v. The Central Bank*, 33 Kan. 352; *Webber v. Hausler*, 77

Minn. 48. In *Kimble v. Wotring*, 48 W. Va. 412, it was held that the fraudulent grantee of land who discharges a lien upon the property, is entitled to subrogation in case the conveyance be, at the instance of creditors, set aside as in fraud of their rights. See, also, *Zinkeison v. Lewis*, 63 Kan. 590, and *Markillie v. Allen*, 120 Mich. 360; *Sproal v. Larsen*, 138 Mich. 142; *Helm v. Trust Co.*, 106 Va. 603; *Hughes v. Thomas*, 131 Wis. 315; *Davies v. Pugh*, 81 Ark. 253.

<sup>3</sup> *Campbell v. Foster Home*, 163 Pa. 609, also *Gray v. Zellmer*, 66 Kan. 514, and *Pollock v. Wright*, 15 S. Dak. 134. See, upon this subject, *Cockrum v. West*, 122 Ind. 372; *Gerdine v. Menage*, 41 Minn. 417; *Oury v. Saunders*, 77 Tex. 278; *Gerber v. Upton*, 123 Mich. 605; *Millbourne v. Phillips*, 143 Ind. 93; *Capen v. Garrison*, 193 Mo. 335; *Meeker v. Larsen*, 65 Neb. 158; *Henry v. Henry*, 73 Neb. 746.

not sufficient to support a claim to subrogation,<sup>1</sup> but that exceptions may exist where other equities intervene.

But another question remains, namely, who is to be deemed a volunteer?

It is plain that a mere intermeddler should be so regarded; and if, therefore, a bail for stay of execution (for example) goes beyond the tenor of his bond and pays the judgment, he cannot be substituted for the plaintiff therein;<sup>2</sup> or if a tax collector obligingly pays taxes, he cannot be subrogated to the benefit of their lien upon the land of the owner.<sup>3</sup>

But where a debtor borrows money for the purpose of discharging a lien, the person advancing the money may be subrogated by the debtor to the creditor's rights, and is not to be deemed a volunteer. And this result may follow in certain cases even where no such express agreement for subrogation exists.<sup>4</sup> No general rule, in short, can be laid down. Each case must be decided on its own merits.<sup>5</sup>

If the owner of a debt assigns it with a guaranty, and is subsequently obliged to make his guaranty good and pay the debt, he will be subrogated to the rights of the assignee as against the principal and sureties in the original debt.

<sup>1</sup> *Koehler v. Hughes*, 148 N. Y. 507. A party to a void marriage who, honestly believing that he is the husband of the other party thereto, on her verbal promise to convey him a half interest in the property, satisfies a mortgage on her land, is a mere volunteer and not entitled to be subrogated to the rights of the mortgagee. *Brown v. Brown*, 90 Miss. 410.

<sup>2</sup> See the language of Marshall, C. J., in *Bank of the United States v. Winston's Ex'rs*, 2 Brock. 254.

<sup>3</sup> *Russell's Appeal*, 59 Pa. 401; *Repass v. Moore*, 98 Va. 377; *Simpson v. Ennis*, 114 Ga. 202; *Sackett v. Stone*, 115 Id. 466, and *Bigelow v. Scott*, 135 Ala. 236. See, however, *Fischer v. Woodruff*, 25 Wash. 67.

<sup>4</sup> *Haverford L. & B. Ass'n v. Fire Ass'n*, 180 Pa. 522 (an interesting illustration of the right to subroga-

tion on the part of one who makes an advance for the purpose of discharging a mortgage); *Hoagland v. Green*, 54 Neb. 164; *Baker v. Edwards*, 156 Ind. 53; *Nat. Life Ins. Co. v. Ayres*, 111 Ia. 200; *Scott v. Land Mtg., etc., Co.*, 127 Ala. 161; *Warford v. Hankins*, 150 Ind. 489; *Albion State Bank v. Knickerbocker*, 125 Mich. 311; *Wilder v. Wilder*, 75 Vt. 178.

<sup>5</sup> See the language of the court in *Arlington State Bank v. Paulsen*, 57 Neb. 717. Also, *Nalle v. Farish*, 98 Va. 130; *Faulk v. Calloway*, 123 Ala. 325; *Baer v. Ballingall*, 37 Ore. 416; *Southern B. & L. Ass'n v. Page*, 46 W. Va. 302; *Benn v. Pritchett*, 163 Mo. 560; *Bank of Ipswich v. Brock*, 13 S. D. 409; *Miller v. Stark*, 61 Ohio, 413; *First Nat. Bank of Freehold v. Thompson*, 61 N. J. Eq. 183.

If one surety takes a security from the principal for his own indemnity, it will inure to the benefit of all the sureties.<sup>1</sup>

It has been held in several cases that the principal creditor is entitled to the benefit of any security given to a surety by way of indemnity.<sup>2</sup> But, in England, the Court of Appeal has recently decided that this proposition is based upon an incorrect view of the authority<sup>3</sup> usually cited in its support, and that no such rule, in fact, exists.<sup>4</sup>

The above cases are merely instances of the right of subrogation, and are not by any means intended as defining narrowly the limits of the doctrine. The principle is a general one, and will apply in every instance (except in the case of a mere stranger) where one man has paid a debt for which another is primarily liable.<sup>5</sup>

It has been said that the right of subrogation will not exist, between parties who are equally bound—as, for example, co-partners, co-obligors and co-contractors;<sup>6</sup> but this must be taken with a qualification. It was well said, in a Virginia case, that where one of such parties pays the share of the other, all the conditions essential to the application of the doctrine arise.<sup>7</sup> Of course a special contract may exist, for example, where an outgoing partner takes a covenant from the remaining members of the firm to pay the partnership debts, and save him harmless. He stands, under these circumstances, in the position of a surety,

<sup>1</sup> *West v. Belches*, 5 Munf. 187; *McMahon v. Fawcett*, 2 Rand. 514; *Gregory v. Murrell*, 2 Ired. Eq. 233; *Hinsdill v. Murray*, 6 Vt. 136; *Elwood v. Deifendorf*, 5 Barb. 398; *Rice v. Morton*, 19 Miss. 253; *Silvey v. Dowell*, 53 Ill. 280; *McCune v. Belt*, 45 Mo. 174.

<sup>2</sup> See *Keller v. Ashford*, 133 U. S. 622; *Wallace's Appeal*, 5 Pa. 103; *Mosier's Appeal*, 56 Id. 76; *Rice's Appeal*, 79 Id. 168; *Rardin v. Walpole*, 38 Ind. 146; *Burwell v. Fauber*, 21 Gr. 446; *Osborn v. Noble*, 46 Miss. 449; *Moses v. Murgatroyd*, 1 Johns. Ch. 129; *Phillips v. Thompson*, 2 Id. 421; *Wager v. Link*, 150 N. Y. 549; *Maure v. Harrison*, 1 Eq. Cas. Ab. 93 C. 5; *Holt v. Sav. Bank*, 62 N. H. 551; *Bank v. Hunton*, 70 N. H. 224;

*Oak Creek Valley Bank v. Helmer*, 59 Neb. 176; *Harlan County v. Whitney*, 65 Neb. 105; *Lindsay v. Morse*, 129 Mich. 350.

<sup>3</sup> *Maure v. Harrison*, 1 Eq. Cas. Ab. 93 C. 5.

<sup>4</sup> *In re Walker* [1892], 1 Ch. 621.

<sup>5</sup> 1 Lead. Cas. Eq. 154 (Am. note); *Blake v. Traders' Nat. Bank*, 145 Mass. 13; *Morton v. Lumber Co.*, 144 N. C. 31; *Miller's Appeal*, 119 Pa. 631; *Sands v. Durham*, 98 Va. 392; *Suydam v. Voorhees*, 58 N. J. Eq. 157.

<sup>6</sup> *Baily v. Brownfield*, 20 Pa. 41; *Oakley v. Pasheller*, 10 Bligh (N. S.), 548; *Fessler v. Hickernell*, 82 Pa. 150.

<sup>7</sup> *Sands v. Durham*, 98 Va. 392; 99 Id. 271. See, also, *Ackerman's Appeal*, 106 Pa. 1.

and may be subrogated to the remedies of the creditors if the covenant be not fulfilled.<sup>1</sup>

But it must not be forgotten that between parties equally bound the right of contribution exists, and that as a consequence a qualified right of subrogation may follow.<sup>2</sup> Thus, in an Iowa case it was held that while one co-tenant who, at the request of the other and to prevent foreclosure, pays the mortgage-debt, is not entitled to subrogation and foreclosure of the mortgage, he is nevertheless entitled to contribution and to a lien on the other's interest in the land for his share of the mortgage so paid.<sup>3</sup>

### 338. Qualifications.

The right of subrogation, like that of contribution, rests not on contract, but on general principles of equity.<sup>4</sup> "It is a rule," says Chancellor Kent, "which is founded on natural justice, and is recognized in every cultivated system of jurisprudence. . . . It rests on the basis of mere equity and benevolence."<sup>5</sup> Chancellor Johnson said, in *Gadsden v. Brown*,<sup>6</sup> "the doctrine of subrogation is a pure, unmixed equity, having its foundation in the principles of natural justice;" and this remark has been twice cited with approval by the Supreme Court of the United States.<sup>7</sup> From the same high authority two definite propositions, already indicated in the preceding sections, may be de-

<sup>1</sup> *Aflalo v. Fourdrinier*, 6 Binn. 306; *Wood v. Dodgson*, 2 Maule & S. 195; *Butler v. Birkey*, 13 Ohio St. 514; *Ætna Ins. Co. v. Wires*, 28 Vt. 93.

<sup>2</sup> A surety or endorser on a note who has paid only a part of the debt for which he is liable, leaving the balance unpaid, cannot claim, by subrogation, the right to participate in the securities held for the payment of the debt. *Bank v. Lorwein*, 76 Ark. 245. Claims for supplies furnished to a railroad company within six months before the appointment of a receiver are not entitled under any general rule to precedence over a lien expressly created by a mortgage recorded before the contracts for such supplies were made. *Gregg v. Metropolitan Trust Co.*, 197 U. S. 183.

<sup>3</sup> *Koboliska v. Swehla*, 107 Iowa, 124.

<sup>4</sup> *Hayes v. Ward*, 4 Johns. Ch. 123; *Hoover v. Epler*, 52 Pa. 522; *Kyner v. Kyner*, 6 Watts, 221; *Wallen's Appeal*, 5 Pa. 103; *Bleakley's Appeal*, 66 Id. 191; *Steele's Appeal*, 72 Id. 102; *Fritch v. Bank*, 191 Id. 283; *Crippen v. Chappel*, 35 Kan. 495; *Spaulding v. Harvey*, 129 Ind. 106; *Nalle v. Farish*, 98 Va. 130; *Van Pelt v. Strickland*, 60 Kan. 584; *Aultman v. Bishop*, 53 Neb. 545; *Sands v. Durham*, 99 Va. 258; *German Bank v. United States*, 148 U. S. 578.

<sup>5</sup> *Cheesebrough v. Millard*, 1 Johns. Ch. 412.

<sup>6</sup> *Speers' Eq.* 37-41.

<sup>7</sup> By Mr. Justice Miller, in *Ætna Life Ins. Co. v. Middleport*, 124 U. S. 547, and by Mr. Justice White, in

duced—namely, *first*, that a surety is not entitled to subrogation until he has paid the debt;<sup>1</sup> and, *secondly*, that a volunteer is not so entitled.<sup>2</sup>

The right of subrogation being an equitable one, it is consequently subject to the general qualification by which all equities are affected—namely, that it must not be enforced to the detriment of equal or superior equities existing in other parties,<sup>3</sup> nor where its enforcement would operate to the prejudice or injury of the creditor;<sup>4</sup> and cannot, therefore, be insisted upon until the creditor is fully paid and satisfied.<sup>5</sup> And it has been said that it will not be enforced as against a legal right.<sup>6</sup>

It is immaterial that the surety did not know of the existence of the security to which he seeks to be subrogated. Whenever he discovers its existence he will be entitled to its benefit.<sup>7</sup>

The equity of subrogation is one which the surety is entitled

*Prairie State Bank v. United States*, 164 Id. 231.

<sup>1</sup> *Ante*, § 335, note. Where a debt is payable by instalments, the right of the surety may be enforced from time to time on payment of each successive instalment. *Nettleton v. Ramsey, etc., Co.*, 54 Minn. 395; and a partial payment will establish the surety's right against the principal debtor. *Morton v. Dillon*, 90 Va. 592.

<sup>2</sup> *Ante*, § 337, note.

<sup>3</sup> *Prairie State Bank v. United States*, 164 U. S. 231; *Shimp's Assigned Estate*, 197 Pa. 149; *Predohl v. O'Sullivan*, 59 Neb. 311; *Hargis v. Robinson*, 63 Kan. 686; *Wilkins v. Gibson*, 113 Ga. 31. An administrator is not entitled to retain bonds wrongfully pledged by the decedent, until he is paid the amount he has expended in payment of the decedent's note for which the bonds were a collateral security. In such a case, the payment of the note gives no right to subrogation. *Rinaker v. Dollar Savings Fund*, 219 Pa. 523.

<sup>4</sup> *Erb's Appeal*, 2 P. & W. 297

*Wagner v. Elliott*, 95 Pa. 489; *Miller v. Stout*, 5 Del. Ch. 259, *ante*, § 330, and notes.

<sup>5</sup> *Phoenix Ins. Co. v. First Nat. Bank*, 85 Va. 765; *Hayden v. Huff*, 60 Neb. 625.

<sup>6</sup> *Fink v. Mahaffy*, 8 Watts, 384. In *Morgan v. Wordell*, 178 Mass. 350, it was held that a surety who has paid a claim primarily due from a bankrupt and seeks to prove such payment against the bankrupt as being subrogated to the rights of the creditor under § 57 of the Bankruptcy Act of 1898, is subject to all the disabilities attached to the creditor whose claim he has paid; and if such creditor had received a preference from the bankrupt which he had not surrendered, as required by § 57g, before any claim could be proved by law, this bars the surety from proving his claim by subrogation, although the preference was an entirely separate transaction with which the surety had nothing to do.

<sup>7</sup> 1 Lead. Cas. Eq. 144. See, also, *Albion State Bank v. Knickerbocker*, 5 Mich. 311.

to exercise against the *debtor*, but it does not give him the right to control the action of the *creditor*. The creditor may pursue any of his remedies which he sees proper to use, and the surety cannot, as a general rule, compel him to resort to any particular securities in the first instance. Special circumstances may, however, take the case out of the general rule, and give the surety a right to require the creditor to look to certain liens before coming upon the surety.<sup>1</sup> In Pennsylvania, however, under the effect given to a guaranty, the creditor must first push the principal debtor to insolvency before resorting to the party secondarily liable.<sup>2</sup>

The surety may file a bill to compel payment by the principal as soon as the debt becomes due; and he may make the creditor a party to the bill, and avail himself of the creditor's remedies.<sup>3</sup>

### 339. Surety can compel a creditor to make a prompt use of his remedies.

While it is true that a surety cannot directly control the action of the creditor in regard to the securities held by the latter, it has, nevertheless, been considered that it is the surety's right and a part of his equity to see that the creditor makes a prompt use of the remedies in his hands, and that nothing should be lost by reason of the creditor's supineness or negligence. Following out this thought, the courts of several states in the Union have established the rule that equity will compel the creditor to sue at the request of the surety, and will hold the surety discharged if the request be not complied with, provided that such failure to comply has resulted in actual injury, which must be shown by proving that the principal was solvent when the request was made, and became insolvent subsequently; and provided further, that accompanying the request there be an explicit notice that in case the creditor shall fail to sue, the surety will thereupon hold himself discharged.<sup>4</sup> This doctrine has been established in New

<sup>1</sup> *Hayes v. Ward*, 4 Johns. Ch. 123; *Kent v. Matthews*, 12 Leigh, 573; *Railroad Co. v. Claghorn*, 1 Speers' Eq. 545; *Irick v. Black*, 17 N. J. Eq. 189.

<sup>2</sup> *Parker v. Culvertson*, 1 Wall. Jr. 149; *Marberger v. Pott*, 16 Pa. 13; *Reigart v. White*, 52 Id. 438.

<sup>3</sup> 1 Lead. Cas. Eq. 144; *Dempsey v. Bush*, 18 Ohio St. 376.

<sup>4</sup> *Singer v. Troutman*, 49 Barb. 183; *King v. Baldwin*, 17 Johns. 384; *Rutledge v. Greenwood*, 2 Dess. 389; *Bruce v. Edwards*, 1 Stew. 11; *Cope v. Smith*, 8 S. & R. 110; *Hellen v. Crawford*, 44 Pa. 105; *Conrad v. Foy*, 68 Id. 381.



York, Pennsylvania, Alabama, Arkansas and some other states;<sup>1</sup> but it has been rejected as unsound in most of the states of the Union.<sup>2</sup>

The surety may be relieved from his obligation by any variation of the contract between the creditor and principal, made without the surety's consent; for he has a right to say, in such a case, "*non hæc in fœdera veni.*"<sup>3</sup>

### 340. Marshalling.

The doctrine of Marshalling grows out of the principle that a party having two funds to satisfy his demands shall not, by his election, disappoint a party who has only one fund. If A., for example, holds a first mortgage against two parcels of real estate, and B. is the owner of a subsequent mortgage against only one of these parcels, natural justice would seem to require that A. should not resort in the first instance to the parcel covered by B.'s mortgage, but should endeavor to collect his debt from the lot charged with his encumbrance alone, and resort to the portion covered by B.'s mortgage only for the purpose of making up any deficiency. Justice further requires that if A. does resort, in the first place, to the parcel covered by B.'s mortgage, the latter, thus disappointed in his security, shall be subrogated to A.'s rights as against the other parcel; and in this way, while sufficient scope is given to the rights of one party, protection is, at the same time, afforded to those of the other.<sup>4</sup>

### 341. Usually enforced through the medium of subrogation.

It will be seen from the above illustration that the equity of marshalling would seem to be capable of being carried into effect

<sup>1</sup> See preceding note.

<sup>2</sup> See American note to *Rees v. Berrington*, 2 Lead. Cas. Eq. \*974.

<sup>3</sup> See the language of Lord Eldon, as to varying the contract by giving time, in *Samuell v. Howarth*, 3 Mer. 272-278, quoted by North, J., in *Clarke v. Birley*, 41 Ch. D. 433-434.

<sup>4</sup> In support of the general doctrine stated in the text, see *Cheesebrough v. Millard*, 1 Johns. Ch. 409; *Ramsey's Appeal*, 3 Watts, 228; *Bruner's Appeal*, 7 W. & S. 269; *Hannegan v. Hannah*, 7 Blackf. 355; *Briggs v.*

*Planters' Bank*, 1 Freem. Ch. 574; *Cannon v. Hudson*, 5 Del. Ch. 112; *Gilliam v. McCormack*, 85 Tenn. 597; *Equitable Mortgage Co. v. Lowe*, 53 Kan. 39; *Loveland v. Cooley*, 59 Minn. 259; *People's B. & L. Ass'n v. Mayfield*, 42 S. C. 424; American note to *Aldrich v. Cooper*, 2 Lead. Cas. Eq. 260 *et seq.* (4th Am. ed.). The doctrine is applied only between *creditors* and others with similar equities. *Miller v. Cook*, 135 Ill. 190. The right to have the creditor with the double security resort first to the

in one of two ways, either, first, by restraining the party against whom it exists from using a security to the injury of another; or, second, by giving the party entitled to the protection of this equity the benefit of another security in lieu of the one of which he has been disappointed. In other words, the right might be enforced either by injunction against the paramount creditor, or by subrogation in favor of the junior creditor.<sup>1</sup> In practice, however, the latter of these two methods is the one most usually employed; and the sounder doctrine seems to be that the first of the two ought not to be resorted to except under very peculiar circumstances. It is true that there are many dicta to the effect that a creditor will be restrained from resorting to one of two sources of payment, and compelled to look to the other;<sup>2</sup> but in practice the rule has been seldom applied (except under peculiar circumstances), because it would appear to be unjust that a creditor who had taken pains to obtain ample security should be limited in his rights of enforcement, and exposed to delay; more especially as the ends of justice can in general be completely attained by the application of the doctrine of subrogation.<sup>3</sup> A paramount encumbrancer ought to be allowed to choose the

fund upon which the other has no lien, is not affected by a conveyance made by the debtor after the liens have attached. *Dize v. Beacham*, 81 Md. 603.

This rule is, however, subject to this, among other qualifications, viz.: that both funds must be within the jurisdiction and control of the court, except in the rare cases in which it is clear that the creditor having the two funds, will sustain no loss, delay, or additional expense if required to resort first to the fund without the jurisdiction. Where there is a paramount mortgage upon land, part of which is conveyed by the mortgagor, equity will throw the burden upon the land that remains, where the grantee has paid full value, or where the grantor has covenanted against encumbrances; but the rule being based upon intention, expressed or implied, will not obtain in favor of a purchaser at a sheriff's foreclos-

ure sale. *Sternberger v. Sussmann*, 69 N. J. Eq. 199.

<sup>1</sup> *Bank of Commerce v. First Nat. Bank*, 150 Ind. 588, 590 (citing the text).

<sup>2</sup> *Aldrich v. Cooper*, 8 Ves. 382; *Clowes v. Dickenson*, 9 Cow. 403; *Greenwood v. Taylor*, 1 Russ. & My. 185; *Agricultural Bank v. Pallen*, 8 Sm. & Marsh. 357; *Thompson v. Murray*, 2 Hill Ch. 213; *N. Y. Steamboat Co. v. N. J. Steamboat Co.*, 1 Hopk. 460; *Evans v. Duncan*, 4 Watts, 24; *McIlvain v. Assurance Co.*, 93 Pa. 30; *First Nat. Bk. of Rock Springs v. Roder*, 52 C. C. A. 253; *Orr v. Blackwell*, 93 Ala. 212; *Cannon v. Hudson*, 6 Houst. 21.

<sup>3</sup> *Mason v. Bogg*, 2 My. & Cr. 448; *Neff's Appeal*, 9 W. & S. 36; *Ramsey's Appeal*, 2 Watts, 228; *Shunk's Appeal*, 2 Pa. 304; *Arna's Appeal*, 65 Id. 74; *Dunlap v. Clements*, 7 Ala. 539; *Moses v. Ranlet*, 2 N. H. 488; *Findlay v. Hosmer*, 2 Conn. 350;

method of collecting his debt, and all that a junior creditor can fairly ask is that he shall have liberty to resort to another source of payment in place of the one of which he has been deprived. Of course, where both funds are in court, or under its immediate control, the case is different. The rights of every one can be protected, and there is no harm in throwing the paramount creditor at once on the singly-charged fund.<sup>1</sup> So, too, when the paramount creditor has been guilty of some negligence or default, as where he has put one of the funds beyond his own reach with the full knowledge that his debt cannot be satisfied out of the other fund without injury to the interests of third persons, he may be restrained from coming in upon the second fund;<sup>2</sup> or if allowed to come in must deduct from the amount of his claim the value of the fund he has put beyond his reach.<sup>3</sup> Where the party who has two funds, puts one of them beyond his reach without notice that another person has an interest in the other, it has been held that he will not subsequently be restrained from coming in on the other.<sup>4</sup>

These, however, are exceptions, and perhaps the general rule in this country may be stated to be, that the right of marshalling is usually enforced through the equities of subrogation and contribution.

Nevertheless, there are decisions in some of the states in favor of the doctrine of compulsion;<sup>5</sup> while in England there is some reason for thus restraining the creditor, as under the rule in *Copis v. Middleton*, the use of the doubly-charged security would

*West v. Bank of Rutland*, 29 Vt. 403; *Brinkerhoff v. Marvin*, 5 Johns. Ch. 320; *Evertson v. Booth*, 19 Johns. 486; *Palmer v. Snell*, 111 Ill. 161; *Morton v. Grafflin*, 68 Md. 545; *Hudkins v. Ward*, 30 W. Va. 204; *Van Pelt v. Strickland*, 60 Kan. 584; *Anthes v. Schroeder*, 68 Neb. 370.

<sup>1</sup> See American note to *Aldrich v. Cooper*, 2 Lead. Cas. Eq. 276. See, also, *Robeson's Appeal*, 117 Pa. 628; *Ball v. Setzer*, 33 W. Va. 444, and *Howser v. Cruikshank*, 122 Ala. 256.

<sup>2</sup> *Stevens v. Cooper*, 1 Johns. Ch. 425; *Paxton v. Harrier*, 11 Pa. 312; *Parkman v. Welch*, 19 Pick. 231; *Berry v. The Church*, 7 Md. 564; *Mount v. Potts*, 23 N. J. Eq. 188;

*Bank of Commerce v. First National Bank*, 150 Ind. 588; *Bank of Huntington v. Simms*, 49 W. Va. 442; *Ames v. Witbeck*, 179 Ill. 458; *Allen v. Perrine*, 103 Ky. 516.

<sup>3</sup> *Building Ass'n v. Fellers*, 96 Va. 337; *Anderson v. McCloud-Love Live Stock Co.*, 58 Neb. 670.

<sup>4</sup> *The Provident Loan, etc., Ass'n v. Carter*, 107 Wis. 383; *Pitts v. American Freehold Land Mtg. Co.*, 123 Ala. 469; *Sudbury v. Merchantville Building & Loan Ass'n*, 57 N. J. Eq. 342; *Bridgewater Mills v. Strough*, 98 Va. 721.

<sup>5</sup> *Ante*, notes to §§ 338 and 339; *Bishop Bailey Ass'n v. Kennedy* (N. J. Eq.), 12 Atl. R. 141.

operate as its extinguishment, and it could not be kept alive for the benefit of the subsequent encumbrances.<sup>1</sup>

### 342. How the equity of marshalling is sometimes qualified.

The equity of marshalling is subject to certain qualifications which it has become necessary to lay down for the purpose of reaching exact justice.

It cannot be used to prejudice those who have an equal or superior equity against the debtor.<sup>2</sup> Thus, if the land of the wife is mortgaged for the husband's debt, a subsequent judgment-creditor of the husband cannot claim that the mortgagee shall proceed first upon the property of the wife, nor can he claim to be subrogated to the mortgagee's security against the wife, because the equity of the latter is superior to that of the husband, and is necessarily superior to the equities of his creditors.<sup>3</sup> On the other hand, the exercise of the right of marshalling cannot be defeated by the intervention of creditors of a later date.<sup>4</sup>

As a general rule, this equity will not exist as against a creditor of several debtors in favor of a creditor of one of the debtors. The two funds must belong to the same person. Thus, if A. and B. are debtors to C., and A. is also a debtor to D., and C. obtains satisfaction out of A., D. cannot claim to be subrogated to C.'s rights against B.<sup>5</sup> But this rule may admit of some exceptions. If A., in the case above put, were merely a surety, then it would be B.'s duty to discharge the debt and if A.'s property were taken for that purpose, his creditors would have the right to be subrogated to the remedies of the joint creditors against B.<sup>6</sup> The duty

<sup>1</sup> American note to *Aldrich v. Cooper*, 2 Lead. Cas. Eq. 280.

<sup>2</sup> See, particularly, *Cycle Co. v. Waggener*, 59 Kan. 271. Also, *Farmers and Mechanics' Bank v. Anthony*, 39 Neb. 343; *Houston's Appeal*, 176 Pa. 90; *Webb v. Hunt*, 2 Ind. Ter. 612; *National Bank v. Exchange Bank*, 110 Ga. 692.

<sup>3</sup> *Reynolds v. Tooker*, 18 Wend. 591; *Ayres v. Husted*, 15 Conn. 504; *Johns v. Reardon*, 11 Md. 465; *In re Hobson*, 81 Ia. 392; *Gilliam v. McCormack*, 85 Tenn. 597; *Hall v. Hyer*, 48 W. Va. 353.

<sup>4</sup> *Withers v. Carter*, 4 Gratt. 407; *Ziegler v. Long*, 2 Watts, 205; *Bruner's Appeal*, 7 W. & S. 289; *Bank of Commerce v. First Nat. Bank*, 150 Ind. 588.

<sup>5</sup> *Ayres v. Husted*, 15 Conn. 504; *Dorr v. Shaw*, 4 Johns. Ch. 17; *Wise v. Shepherd*, 13 Ill. 41; *Ex parte Kendall*, 17 Ves. 520; *Fessler v. Hickernell*, 82 Pa. 150; *Jones's Estate*, 15 Phila. 584; *Mason v. Hull*, 55 Ohio, 256; *Carter v. Tanners' Leather Co.*, 196 Mass. 163.

<sup>6</sup> *King v. McVickar*, 3 Sandf. Ch. 192; *Wise v. Shepherd*, 13 Ill. 41;

of contributions between joint debtors may also in some instances be enforced by the creditors of one.<sup>1</sup>

The two funds must actually exist; the doctrine of marshalling cannot be invoked for the purpose of raising a fund.<sup>2</sup>

### 343. Its application in cases of bankruptcy.

The result of throwing a creditor, who has two securities for his debt, upon the singly-charged fund, is of course to effect a payment of the debt so far as that fund will extend. Suppose, now, the general assets of the debtor are insufficient to meet all his liabilities, the question will then naturally arise, whether the creditor who has realized a portion of his debt shall be entitled to a dividend on the whole amount of his claim, or only upon the balance remaining after the appropriation of the fund which has been exclusively under his control.

The rule in bankruptcy was that the creditor was only entitled to prove for the residue; the right to resort to the prior security being treated, *pro tanto*, as payment.<sup>3</sup> But this rule is peculiar to the bankrupt law, and the better doctrine is that it is not applicable to cases outside of that law. Therefore, the rule would seem to be that the circumstance that the creditor had a right to resort to a fund which is open to him alone, shall not preclude him from coming in upon a fund of an insolvent estate which is common to all creditors, and obtaining a dividend on the full amount of his debt, subject to the common-sense qualification that the total so received by him shall not exceed the sum due.<sup>4</sup>

There has, indeed, been some difference of authority upon this point. But it may be doubted whether the case of *Greenwood v. Taylor*,<sup>5</sup> where the doctrine was laid down that the rule

*Quinnipiac Brewing Co. v. Fitzgibbons*, 73 Conn. 191.

<sup>1</sup> See American note to *Aldrich v. Cooper*, 2 Lead. Cas. Eq. 222.

<sup>2</sup> The *Professional Life Assurance Co.'s Case*, L. R. 3 Eq. 668.

<sup>3</sup> By the 20th section of the Bankruptcy Act of 1867 the creditors of a bankrupt who held security had the option either to prove for the balance of their claim, or to surrender the property held as security, and prove for their whole debt; and under the present Bankruptcy Act of 1898, such

creditors are permitted to be petitioners in respect to the excess of their demand over the value of the security. See § 59 of the act.

<sup>4</sup> The creditors of an insolvent's estate are the equitable owners, and their interests are determined by the amount of their respective claims at the date of the assignment. *Graeff's Appeal*, 79 Pa. 146; *Williams v. Overholt*, 46 W. Va. 339. See, however, *Third Nat. Bank v. Lanahan*, 66 Md. 461.

<sup>5</sup> 1 Russ. & Myl. 185.

in bankruptcy applied also to the administration of insolvent estates, can now be considered as law;<sup>1</sup> and the decisions in the American courts which have assumed the same position, will perhaps be reconsidered when the point comes up again in the tribunals where they were rendered.<sup>2</sup> It is fair to say, however, that while in several of the states the courts have refused to follow that decision, yet there are recent rulings the other way.<sup>3</sup>

**344. Cases in which this equity is usually applied in the United States; doctrine of *Fosdick v. Schall*.**

The cases which have ordinarily invited the application of the equity of marshalling in this country are somewhat different from those which have called it into play in England. In England this equity was most frequently employed in so ordering the claims of creditors entitled to payment out of the real estate of a deceased debtor, as not to interfere with those whose remedy was confined to personalty. Its application to debtors' estates during their lifetime was much less frequent. In the United States, however, the necessity for marshalling the assets of a decedent has been very much, if not altogether, done away with by the general rule that estates of all kinds, both real and personal, are considered assets for the payment of debts, and that specialty and simple contract creditors stand, as respects both classes of property, upon the same footing. But the equity of marshalling has been frequently applied in this country to the adjustment of the liabilities of debtors during their lifetime, and it is now an ordinary part of the machinery by which courts of equity, or courts wherein equitable principles are recognized, arrive at just conclusions in the application of a debtor's property to the discharge of his liabilities.

This equity is enforced for the benefit of junior encumbrancers; as for example, for the benefit of a mortgagee of a particular piece of real estate, by subrogating him to the general lien of a prior judgment-creditor. It is enforced, also, very frequently for the protection of sureties, by enabling them to make use of

<sup>1</sup> *Mason v. Bogg*, 2 My. & Cr. 448.

<sup>2</sup> Note to *Aldrich v. Cooper*, 2 Lead. Cas. Eq. 286.

<sup>3</sup> *West v. The Bank of Rutland*, 19 Vt. 403; *Shunk's Appeal*, 2 Pa. 304; *Bair & Shenk's Appeal*, 82 Id. 113; *Findlay v. Homer*, 2 Conn. 350;

*Hawkins v. Mahoney*, 71 Minn. 155; *Bank Comrs. v. Trust Company*, 70 N. H. 536. See some cases collected in notes to *In re Frasch*, 32 Am. Law Reg. & Rev., p. 453, 458 (May, 1893).

the creditor's securities as against their principal. The method of applying the doctrine in both these instances has already been explained.

Under the general equity of marshalling assets may also, perhaps, fall a doctrine which is of quite modern birth and development, but which has been very frequently applied, during the past twenty years and more, by the Federal courts and by other tribunals in this country in the foreclosure of mortgages of railways.<sup>1</sup> The doctrine is that where property is placed in the hands of receivers to be administered by a Court of Chancery, the court will, under certain circumstances, give to certain claimants, principally those for labor and material, priority over existing mortgages. This priority will be given not only to claims which have arisen during the receivership, but also to those which may have accrued within a certain limited time, usually from three to six months, prior to the appointment of the receiver.<sup>2</sup>

Ordinarily, when a mortgagee applies for and obtains a receiver, the income which is thus collected is applicable to the payment of the interest or principal of the mortgage debt; but it is now settled by many decisions of the highest tribunals in the country, that if the court finds that such income should equitably be applied to the payment of claims, such as those above mentioned, which might, but for the receivership, have been paid out of the fund, it will direct such claims to be paid in preference to the mortgages.

This doctrine is usually known as the doctrine in *Fosdick v.*

<sup>1</sup> In *Wood v. Guarantee Trust Co.*, 128 U. S. 421, Mr. Justice Lamar remarked that "the doctrine of *Fosdick v. Schall* has never yet been applied to any case except that of a railroad. The case lays great emphasis on the consideration that a railroad is a peculiar property of a public nature and discharging a great public work. There is a broad distinction between such a case and that of a purely private concern. We do not undertake to decide the question here, but only point it out." See, also, *Int. Trust Co. v. United Coal Co.*, 27 Colo. 246, and the language of Dean, J., in *Cowan v. Plate Glass Co.*, 184 Pa. 14.

And in *Merriam v. Victory Mining Co.*, 37 Oreg. 321, it was said that, "the doctrine of *Fosdick v. Schall* does not apply to claims against ordinary private corporations." The doctrine of *Fosdick v. Schall*, held not applicable to the case of a railroad which was not a common carrier, but one built and operated by the owner of a coal mine for the exclusive purpose of hauling the company's coal. *First National Bank v. Wyman*, 16 Colo. App. 472.

<sup>2</sup> See *High on Receivers*, §§ 394a et seq.; *Gregg v. Metropolitan Trust Co.*, 197 U. S. 183.

Schall, it having been first distinctly enunciated by the Supreme Court of the United States in the year 1878 in that case,<sup>1</sup> although it had been applied in some previous decisions by the Federal Circuit Courts and by the courts of some states.<sup>2</sup> And as *Fosdick v. Schall* has been expressly approved in a decision made by the same court twenty years thereafter, it may be taken as a fair title for the rule under consideration.<sup>3</sup>

The doctrine had, indeed, during this interval been recognized, and even extended in many cases, though the courts have always displayed great caution in its application.<sup>4</sup> It has been based on various considerations, principally three: 1st, that where income has been diverted from the payment of current supplies and wages and applied to pay interest on mortgages, the fund thus diverted should be restored; 2d, that where mortgagees have suffered a railroad company to operate the road and remain in possession after default, the company may be considered as the agent of the bondholders, whose equity must yield to those whose labor or materials have kept the road in running order for the mortgagee's benefit; and, 3d, that he who comes into equity to seek the aid of a receivership, must do equity to meritorious claims. It will be observed, therefore, that the rules of law or equity upon which this doctrine is based are either diversion, or agency, or that "he who seeks equity must do equity."

It is probable that the first of these rules may be the true basis for this doctrine, and such would seem to be the view taken of the matter in the latest decisions of the Supreme Court.<sup>5</sup>

<sup>1</sup> *Fosdick v. Schall*, 99 U. S. 235.

<sup>2</sup> These decisions, or most of them, will be found collected in a paper read before the American Bar Association at the session of 1879. See proceedings of the American Bar Association, August, 1879.

<sup>3</sup> *Virginia & Ala. Coal Co. v. Central R. R. & Banking Co.*, 170 U. S. 365.

<sup>4</sup> See *Burnham v. Bowen*, 111 U. S. 776; *Miltenberger v. Logansport R. Co.*, 106 Id. 286; *Union Trust Co. v. Souther*, 107 Id. 591; *Union Trust Co. v. Ill. Midland Ry. Co.*, 117 Id. 434; *Karn & Hickson v. Rorer Iron Co.*, 86 Va. 754; *Le Hote v. Boyet*, 85 Miss. 636. But where the services

were not rendered by laborers in the furtherance of the railroad's business, but in a logging venture in which the railroad was chiefly engaged at the time, such laborers are not entitled to a priority in the payment of such services over the mortgage lien. *Security Trust Co. v. Goble R. R. Co.*, 44 Oreg. 370.

<sup>5</sup> See the language of Chief Justice Fuller in *Morgan, etc., Co. v. Texas Central Railway*, 137 U. S. 197, repeated by him in *Quincy, Missouri and Pacific Railroad Co. v. Humphreys*, 145 Id. 103; and of Mr. Justice White in the *Virginia and Alabama Coal Co. v. The Central, etc., R. R. Co.*, 170 U. S. 355-364. Moreover, in



The subject, therefore, may, with great propriety, be noticed under the general equity of marshalling assets, for if the rule under consideration is based upon the theory of restoring property which has been wrongfully diverted, its application is only in accordance with the general principles of adjustment which have been considered in this chapter.<sup>1</sup>

*Hammerley v. Mercantile Trust and Deposit Co.*, 123 Ala. 596; *Pickering v. Townsend*, 118 Id. 351; *Mersick v. Hartford Railroad Co.*, 76 Conn. 11; and *Cambria Iron Co. v. Union Trust Co.*, 154 Ind. 291, no diversion was shown and the application of the doctrine refused. See, also, *International Trust Co. v. T. B. Townsend Brick & Contracting Co.*, 37 C. C. A. 396.

<sup>1</sup> In *Fosdick v. Schall* the following language was used by Waite, C. J., and may usefully be referred to as giving the grounds upon which the doctrine was placed: "Railroad mortgages," he says, "and the rights of railroad mortgagees are comparatively new in the history of judicial proceedings. They are peculiar in their character, and affect peculiar interests. . . . When companies become pecuniarily embarrassed it frequently happens that debts for labor, supplies, equipment and improvements are permitted to accumulate, in order that bonded interest may be paid and a disastrous foreclosure postponed, if not altogether avoided. In this way the daily and monthly earnings, which ordinarily should go to pay the daily and monthly expenses, are kept from those to whom in equity they belong, and used to pay the mortgage debt. The income out of which the mortgagee is to be paid is the net income obtained by deducting from the gross earnings what is required for necessary operating and managing expenses, proper equipment and useful im-

provements. Every railroad mortgagee in accepting his security, impliedly agrees that the current debts made in the ordinary course of business shall be paid from the current receipts before he has any claim upon the income. If for the convenience of the moment something is taken from what may not improperly be called the current debt fund, and put into that which belongs to the mortgage creditors, it certainly is not inequitable for the court, when asked by the mortgagee to take possession of the future income and hold it for their benefit, to require as a condition of such an order that what is due from the earnings to the current debt shall be paid by the court from the future current receipts before anything derived from that source goes to the mortgagees. . . . If the mortgagee calls upon a court of chancery to put forth its extraordinary powers and grant him purely equitable relief, he may, with propriety, be required to submit to the operation of a rule which always applies in such cases, and do equity in order to get equity." The same judge expressed substantially the same views in the later case of *Burnham v. Bowen*, 111 U. S. 780. See, also, the remarks of Mr. Justice Bradley, in the *Union Trust Co. v. Illinois Midland Ry. Co.*, 117 U. S. 455-456; of Dean, J., in *Cowan v. Plate Glass Co.*, 184 Pa. 14; the opinions in *Kneeland v. American Loan and Trust Co.*, 136 U. S. 89, and 96; *Thomas v. Western Car Co.*, 149 Id. 95-110; *Illinois Trust &*

### 345. Marshalling as applied to estates of decedents.

The application of this equity to the administration of estates of decedents may be briefly noticed.

According to the law, as it formerly existed in England, the equity of marshalling was frequently exercised in favor of simple contract creditors, when the personalty, which then constituted the only fund for the payment of debts, had been wholly or partially exhausted by superior creditors who might have resorted to real estate, viz., by specialty creditors, by mortgagees, or by vendors claiming a lien for unpaid purchase-money.<sup>1</sup> But in the United States, the property of a decedent, of all kinds, is applicable to the payment of his debts, and the same rule now exists, by statute, in England.<sup>2</sup> Hence the equity of marshalling is no longer resorted to for the purpose of regulating the rights of different sets of creditors of a decedent's estate; but is applied principally, if not altogether, in the settlement of the questions which arise between different claimants to the residuum of the estate after the payment of the debts.<sup>3</sup> Questions of this kind arise in this way: The assets of a decedent are not all equally applicable to the payment of his debts, but are liable to be applied only in a certain order, which varies in different states of the Union, being in some rather general, in others strictly defined and minute. Now, it is an almost universal rule that the general personal estate is the primary fund for the payment of debts, and, therefore, ought to be resorted to for that purpose before articles which have been specifically bequeathed are taken. A person, therefore, to whom there has been a specific bequest of a chattel, has a right to say that the general personal estate shall be exhausted in order to pay debts, before recourse is had against his specific legacy; in other words, the assets of a decedent will be marshalled in favor of a specific legacy, and against the general personal estate.

Again, two or more parties interested in an estate may stand exactly upon the same footing, so far as respects the liability of their interests to be taken for the payment of the decedent's debts. Now, if the interest or share of one of these parties is

*Savings Bank v. Doud*, 44 C. C. A. 389; *Virginia & Ala. Coal Co. v. Central R. R. & Banking Co.*, 170 U. S. 365; *Gregg v. Metropolitan Trust Co.*, 197 U. S. 183; and the language of *Harlan, J.*, in *Southern*

*Ry. Co. v. Carnegie Steel Co.*, 176 Id. 285.

<sup>1</sup> *Adams's Eq.* 275.

<sup>2</sup> 3 and 4 Will. IV., c. 104.

<sup>3</sup> 2 Redf. on Wills, §53 (§ 74, 1).

entirely taken, while those of the others are left untouched, he manifestly has, in justice, a right to say that the interests which stand exactly in the same position with his own shall contribute ratably to bear the common burden; in other words, he has an equity for contribution as against his co-legatees.<sup>1</sup>

### 346. Order in which assets of a decedent are applied to the payment of his debts.

The order in which assets are liable to be taken for the payment of debts is generally stated to be as follows: 1. The general personal estate, not expressly or by implication exempted; 2. Any estate particularly devised simply for the payment of debts; 3. Estates descended; 4. Property devised and bequeathed to particular devisees and legatees, but charged with the payment of debts; 5. General pecuniary legacies *pro rata*; 6. Specific legacies, and lands devised; 7. Personalty and realty over which the person whose estate is to be administered has exercised a general power of appointment.<sup>2</sup>

The general personal estate is, in the first instance, applicable to the payment of debts; and it is also the primary and natural fund for the payment of legacies; and if legacies or annuities are given generally, they are payable out of the personal estate only.<sup>3</sup>

### 347. How the general personalty may be exonerated.

The general personal estate may, however, be exempted from

<sup>1</sup> 2 Redfield on Wills, 853, 854 (§ 74, 2); *In re Saunders-Davies*, 34 Ch. D. 482.

<sup>2</sup> Smith's Manual of Equity, 270, 271. See, also, *Hoover v. Hoover*, 5 Pa. 351; *Breden v. Gilliland*, 67 Id. 34; *Hays v. Jackson*, 6 Mass. 149; *Livingston v. Newkirk*, 3 Johns. Ch. 312; *Miller v. Harwell*, 3 Murph. 194; *McLoud v. Roberts*, 4 Hen. & Munf. 443; *Marsh v. Marsh*, 10 B. Mon. 360; *Chase v. Lockerman*, 11 Gill & J. 185; *Elliott v. Carter*, 9 Gratt. 549; *Clarke v. Henshaw*, 30 Ind. 144; *In re Bate*, 43 Ch. D. 600 [overruled, *In re Roberts* (1902), 2 Ch. 834]; *Snell's Eq.* 221; *Adams's Eq.* 523 (6th Am. ed.), and notes;

*Story's Eq.* § 577; *Perry on Trusts*, § 566; 2 *Spence's Eq.* 817; *American note to Duke of Ancaster v. Mayer*, 1 Lead. Cas. Eq. 647 (3d Am. ed.). The only exception to this rule appears to be South Carolina, where it is held that property, whether real or personal, which has been specifically set apart by the will for the payment of debts, must be first applied to that purpose. *Dunlap v. Dunlap*, 4 Dess. 305; *Pinckney v. Pinckney*, 2 Rich. Eq. 235; note to *Duke of Ancaster v. Mayer*, 1 Lead. Cas. Eq. 648 (3d Am. ed.).

<sup>3</sup> Smith's Manual of Equity, 271; *Am. note to Aldrich v. Cooper*, 2 Lead. Cas. Eq. 266 (3d Am. ed.).

this primary liability, either by express provision in the will, or by implication from the circumstances attending the case.<sup>1</sup> Although the presumption is against intention to exonerate the personalty, yet where there are express words exempting the personalty, there can, of course, be no question as to its freedom from liability;<sup>2</sup> and the rule is the same, where there is on the face of the will a plain intention on the part of the testator to exonerate his personal estate.<sup>3</sup> In what way, however, this intention can be manifested with sufficient clearness, is, perhaps, a question attended with more difficulty. The primary fund will not be exonerated merely because another fund is provided, for such other fund is considered as auxiliary only, unless the primary fund be expressly exonerated.<sup>4</sup> The true rule would seem to be that the personal estate will be exempted only when there appears, upon the whole testamentary disposition taken together, an intention on the part of the testator, so expressed as to convince a judicial mind that it was meant not merely to charge the real estate, but so to charge it as to exempt the personal estate; for it is not upon an intention to charge the real, but upon an expressed intention also to discharge the personal estate, that the question is to be decided.<sup>5</sup> Without entering minutely into the subject it may be stated, as a general rule, that if the personal estate as a whole, and not as a residue, is given the nature of a specific bequest, and another fund is supplied for the payment of the debts and legacies and funeral and testamentary charges; or if the testator has, by any declaration in his will, shown an intention to preserve the personal estate entire for any given purpose whatever, that will be sufficient to exempt the personalty.<sup>6</sup>

<sup>1</sup> Note to *Duke of Ancaster v. Mayer*, 1 Lead. Cas. Eq. 646 (4th Eng. ed.); *Collis v. Robins*, 1 De G. & Sm. 131; 2 Jarm. on Wills, 564-600.

<sup>2</sup> *Young v. Young*, 26 Beav. 522.

<sup>3</sup> *Coventry v. Coventry*, 2 Dr. & Sm. 470; *Clery's Appeal*, 35 Pa. 54.

<sup>4</sup> *Barnewell v. Cawdor*, 3 Mad. 453; *Watson v. Brickwood*, 9 Ves. 447; 2 Spence's Eq. 824.

<sup>5</sup> *Bootle v. Blundell*, 1 Meriv. 230; *Walker's Est.*, 3 Rawle, 229; *Canfield v. Bostwick*, 21 Conn. 550; *Sims v. Sims*, 10 N. J. Eq. 158; Am. notes to

*Duke of Ancaster v. Mayer*, 1 Lead. Cas. Eq. 640; and to *Aldrich v. Cooper*, 2 Id. 265 (3d Am. ed.). Originally, express words were necessary to exempt the personal estate, and almost every judge has lamented that that rule has not been adhered to. 2 Spence's Eq. 337.

<sup>6</sup> 2 Spence's Eq. 341. See, also, *Smith's Manual of Equity*, 272; *Webb v. Jones*, 2 Bro. C. C. 60; *Dawes v. Scott*, 5 Russ. 32; *Forrest v. Prescott*, L. R. 10 Eq. 545.

**348. Exoneration by implication.**

The personal estate may also be exonerated by implication, and an instance of such implied exoneration may be found in the case of a mortgage debt not created by the decedent, and which has been held, therefore, under certain circumstances, to be payable not out of the personalty, but out of the mortgaged premises. Thus, if a mortgage had been created by an ancestor, and the mortgaged estate had afterwards descended upon the heir, the personal estate of the heir would not be liable in favor of any person who should derive title by descent under him to the mortgaged premises, subject to the mortgage.<sup>1</sup>

**349. When realty and personalty contribute *pro rata*.**

Where the testator directs a sale of his real estate, and the proceeds of the personal estate are thrown into one mass, which he subjects to the payment of debts and legacies, the real and personal estate must contribute, in proportion to their relative amounts, to the payment of the debts and legacies.<sup>2</sup> But if real and personal estate are given together to one person subject to charges, but the real estate is not directed to be sold, the personal estate remains primarily liable.<sup>3</sup>

If the order in which assets should be applied to the payment of debts and legacies has been disturbed, this disturbance may (as has been already stated) be corrected by the application of the doctrine of marshalling. Thus, if pecuniary legacies have been taken for the payment of debts, the legatees are entitled to the equity of marshalling as against real estate descended, or as against real estate devised, but charged with the payment of debts. But they have no right to marshal as against lands de-

<sup>1</sup> *Duke of Ancaster v. Mayer*, 1 Bro. C. C. 454; *Cumberland v. Codrington*, 1 Johns. Ch. 257; *Keyzey's Case*, 9 S. & R. 71; *Garnett v. Macon*, 6 Call, 308; *Bank of U. S. v. Beverley*, 1 How. 134; 1 Lead. Cas. Eq. 927 (4th Am. ed.). If, however, for any reason the debt becomes the debt of the owner of the land, it must be paid out of his personalty. *Hoff's Appeal*, 24 Pa. 200; *Lennig's Estate*, 52 Pa. 139; *Thompson v. Thompson*, 4 Ohio St. 333. See, also, *Hirst's Estate*, 35 Leg. Int. 222 (*Hirst's*

*Appeal*, 92 Pa. 491), where the authorities are reviewed.

<sup>2</sup> *Roberts v. Walker*, 1 Russ. & M. 752; *Robinson v. The Governors of London Hospital*, 10 Hare, 19; *Ashworth v. Munn*, 34 Ch. D. 391.

<sup>3</sup> *Boughton v. Boughton*, 1 H. L. Cas. 406; *Tench v. Cheese*, 6 De G., M. & G. 453 (but see *Allan v. Gott*, L. R. 7 Ch. 439); *Williams on Executors*, 1712 (7th Eng. ed.). See, also, *Elliott v. Carter*, 9 Gratt. 541; *Adams v. Brackett*, 5 Met. 280; *Cox v. Corkendall*, 13 N. J. Eq. 138.

vised, for the interest of the devisee is not, by law, liable in priority to that of the legatee.

**350. Assets will not be marshalled in favor of a charity.**

As a general rule, assets will not be marshalled in favor of a charity; the reason being that stated by Lord Hardwicke, in *Mogg v. Hodges*,<sup>1</sup> namely, that a court of equity is not warranted in setting up a rule of equity contrary to the common rules of the court merely to support a bequest which is contrary to law.<sup>2</sup>

<sup>1</sup> 2 Ves. Sr. 53. See *In re Arnold*,  
37 Ch. D. 637.

<sup>2</sup> Note to *Aldrich v. Cooper*, 2  
Lead. Cas. Eq. 103 (4th Eng. ed.).

## CHAPTER VII.

## LIENS.

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| <p>351. Distinction between liens at common law and in equity.</p> <p>352. Instances of equitable liens.</p> <p>353. Vendor's lien for purchase-money.</p> <p>354. Nature of this lien.</p> <p>355. Waived by taking independent security.</p> | <p>356. Parties for and against whom the lien exists.</p> <p>357. Deposit of title deeds.</p> <p>358. Mortgages of personalty.</p> <p>359. Pledges.</p> <p>360. Liens in aid of equitable and legal rights.</p> |
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### 351. Distinction between Liens at common law and in equity.

A LIEN at common law has been defined to be a right in one man to retain that which is in his possession, belonging to another, till certain demands of him, the person in possession, are satisfied.<sup>1</sup> It will be observed that this lien is founded upon the idea of possession; and consequently, as a general rule, if the possession is abandoned the lien is lost. It attaches exclusively to personal property.<sup>2</sup>

Besides the common-law liens there are certain liens, or rights in the nature of liens, which are wholly independent of possession,<sup>3</sup> which exist only in equity, and of which equity alone can take cognizance.<sup>4</sup>

The general nature of an equitable lien has been described by a learned author in language which has been approved by the Supreme Court of the United States, and which may be here quoted: "The doctrine may be stated in its most general form that every express executory agreement in writing, whereby the contracting party sufficiently indicates an intention to make some particular property, real or personal, or fund, therein de-

<sup>1</sup> Per Grose, J., in *Hammonds v. Barclay*, 2 East, 235; 2 Spence's Eq. 796.

<sup>2</sup> 2 Spence's Eq. 796.

<sup>3</sup> Smith's Manual of Equity, 338.

<sup>4</sup> *Gladstone v. Birley*, 2 Meriv. 403; *Cotesworth v. Stephens*, 4 Hare, 193; 2 Spence's Eq. 803; *Jarboe v. Severin*, 112 Ind. 572.

scribed or identified, a security for a debt or other obligation, or whereby the party promises to convey or assign or transfer the property as security, creates an equitable lien upon the property so indicated, which is enforceable against the property in the hands not only of the original contractor, but of his heirs, administrators, executors, voluntary assignees and purchasers or encumbrancers with notice. Under like circumstances a merely verbal agreement may create a similar lien upon personal property." The author justly adds that the doctrine is but an application of the maxim that equity considers as done that which ought to be done.<sup>1</sup>

In modern times the doctrine of equitable liens has been liberally extended for the purpose of facilitating mercantile transactions, and in order that the intention of parties to create specific charges may be justly and effectually carried out. A good example of the liens here referred to may be found in the case of *Walker v. Brown*,<sup>2</sup> just cited, and decided in 1897. In that case, one T. E. Brown addressed to Walker & Co. a letter advising them that a loan of bonds, to the face value of fifteen thousand dollars, previously made by him to one Lloyd, for the use of the latter's firm, was "with the understanding that any indebtedness which they may be owing you at any time shall be paid before the return to me of these bonds, or the value thereof, and that these bonds or the value thereof are at the risk of the business of Lloyd & Co., so far as any claim you may have against said Lloyd & Co. is concerned." Upon the faith of this letter Walker & Co. made sales to Lloyd & Co., and the last-named firm subsequently failed. Shortly after the letter was written, and before the failure, Brown induced Lloyd

<sup>1</sup> Pomeroy's Equity Jurisp. § 1235; *Leupold v. Weeks*, 96 Md. 280; *Edwards v. Barstow*, 21 R. I. 562; *Howard v. Delgado & Co.*, 57 C. C. A. 270; *Allender v. Evans-Smith Drug Co.*, 3 Ind. Ter. 628; *Walker v. Brown*, 165 U. S. 664.

<sup>2</sup> *Walker v. Brown*, 165 U. S. 664. See, also, *Fourth Street Bank v. Yardley*, Id. 634, and *Plankinton v. Hildebrand*, 89 Wis. 209. An express executory agreement in writing whereby the contracting party sufficiently indicates an intent to make

some identified property security for a debt or other obligation, creates an equitable lien on such property; and in this case an agreement by contestants to pay counsel a contingent fee if the propounding of a will is prevented, created a lien on the distributive shares in the estate to which those contestants became entitled on a settlement of the matter effected by the successful services of the counsel so employed. *Ingersoll v. Coram*, 211 U. S. 335.



& Co. to return to him the bonds, which he thereupon settled on his wife. On a bill filed by Walker & Co., it was held that the letter gave them an equitable lien on the bonds which could be asserted as against Brown's wife, who was a mere volunteer.

So, also, in *Frith v. Forbes*, bills of exchange drawn against a particular cargo of a ship, accompanied by letters of the consignor to the consignee referring to the bills, have been held to create a lien upon the cargo.<sup>1</sup>

Other illustrations of such liens will be found in the instances given in a former chapter of the assignments of future cargoes by way of security; the assignments in such cases operating to create liens which could have had no existence at law.<sup>2</sup>

### 352. Instances of equitable liens.

Many other instances of equitable liens of a more ancient character exist; such are the lien of a vendor for unpaid purchase-money; of one joint tenant of a lease for fines and expenses of renewal; for improvements which a person has innocently put upon the land of another, being encouraged thereto by the owner;<sup>3</sup> by deposit of title deeds; of a trustee upon the trust estate for his expenses; of a solicitor upon papers and

<sup>1</sup> *Frith v. Forbes*, 4 De G., F. & J. 409; *Robey's Iron Works v. Ollier*, L. R. 7 Ch. 695. The doctrine under consideration may be regarded as the outgrowth of the rule in *Ex parte Waring*, 19 Ves. 345; 2 Rose, 182; 2 Glyn & Jam. 404; where cash and bills which had been deposited to meet certain acceptances were held to be specifically applicable to that purpose. The decision in that case was placed by Lord Eldon on the ground of the double insolvency of the drawers and acceptors; but this ground has been considered in some of the modern cases as too narrow. See *Powles v. Hargreaves*, 3 De G., M. & G. 430. In others, however, it seems to be still recognized as the true ground. *Vaughan v. Halliday*, L. R. 9 Ch. 561. Instances of this rule and of the extent to which it has been carried in modern times, may be

found in *The Bank of Ireland v. Perry*, L. R. 7 Exch. 14; *Ex parte Alliance Bank*, L. R. 4 Ch. 423; *City Bank v. Luckie*, 5 Id. 773; *Ex parte Dewhurst*, 8 Id. 965; *In re New Zealand Banking Co.*, L. R. 4 Eq. 226; *Ex parte Smart*, L. R. 8 Ch. 220; *Laycock v. Johnson*, 6 Hare, 209; *Ranken v. Alfaro*, 5 Ch. D. 786; *Bispham on Contracts in Rem*. In *Hopkins v. Beebe*, 26 Pa. 85, the Supreme Court of Pennsylvania declined, under the circumstances of that case, to say that the holder of a bill had any right as against merchandise on which it was drawn.

<sup>2</sup> *Ante*, § 165.

<sup>3</sup> See *People's Bank v. Loeffert*, 184 Pa. 164, where the lien was enforced in favor of the creditors of one who had fraudulently applied his money toward improving the property of a third person.

funds;<sup>1</sup> of a part owner of a ship upon her earnings; and many others.<sup>2</sup> A few of these will require particular attention; and among the first is the lien of the vendor of real estate for the unpaid purchase-money.

### 353. Vendor's liens for purchase-money.

Where a vendor delivers possession of an estate to a purchaser, without receiving the purchase-money, equity, whether the estate be conveyed or only *contracted to be conveyed*, and although there was not any special agreement for that purpose, gives the vendor a lien upon the land for the unpaid purchase-money.<sup>3</sup> This has been the settled doctrine of the English courts for many years, having been established by a number of authorities, of which the leading one is considered to be *Mackreth v. Symmons*, decided by Lord Eldon in 1808.<sup>4</sup> In the United States the decisions upon the subject have not been uniform. In some of the states of the Union and in the Federal courts, the doctrine of a vendor's lien has been adopted; in others it has been repudiated; while in still a third class, the English rule has been abrogated or modified by statute. In the first class are included the states of New York, New Jersey, Maryland, Tennessee, Mississippi, Alabama, Missouri, Michigan, Illinois, Indiana, Ohio, Colorado, Arkansas, Kentucky, Iowa, Wisconsin, Minnesota, California, Florida, Texas, Nebraska, and perhaps Oregon.<sup>5</sup> The second class (where the doctrine

<sup>1</sup> See *Francis v. Francis*, 5 De G., M. & G. 108; *Turner v. Letts*, 7 Id. 243; *In re Bank of Hindustan*, L. R. 3 Ch. 125. This right is not affected by the fact that the client is an executor or trustee and the services were rendered and money received on behalf of the estate. *Burleigh v. Palmer*, 74 Neb. 122.

<sup>2</sup> See 2 Spence's Eq. 797, 803, and *Hauselt v. Harrison*, 105 U. S. 401.

<sup>3</sup> 2 Sug. V. & P. 671 (375, Am. ed.); *Winters v. Fain*, 47 Ark. 493; *Morgan v. Dalrymple*, 60 N. J. Eq. 496.

<sup>4</sup> 15 Ves. 329; 1 Lead. Cas. Eq. 447 (4th Am. ed.). See, also, the language of the Supreme Court of the United States in *Refeld v. Woodfolk*, 22 How. 318-327, and of the

Circuit Court of Appeals in *Minah Consol. Min. Co. v. Briscoe*, 32 C. C. A. 394.

<sup>5</sup> *Stafford v. Van Rensselaer*, 9 Cow. 316; *Garson v. Green*, 1 Johns. Ch. 308; *Dubois v. Hull*, 43 Barb. 26; *Armstrong v. Ross*, 20 N. J. Eq. 109; *Craft v. Latourette*, 62 N. J. Eq. 206; *White v. Casanave*, 11 Har. & J. 106; *Carrico v. Farmers' Bank*, 33 Md. 235; *Ellis v. Temple*, 4 Cold. 315; *Robinson v. Owens*, 103 Tenn. 91 (confines the doctrine within narrow limits); *Stewart v. Ives*, 1 Sm. & M. 197; *Harvey v. Kelley*, 41 Miss. 490; *Russell v. Watt*, Id. 602; *Mims v. Mason, etc.*, R. R. Co., 3 Kelly, 333; *Still v. Mayor, etc., City of Griffin*, 27 Ga. 502, *Haley v. Bennett*, 5 Port.

has been rejected) includes Maine, Pennsylvania, Kansas, North Carolina, South Carolina,<sup>1</sup> Massachusetts, Delaware, and Washington;<sup>2</sup> while in Vermont, Virginia, Georgia, and West Virginia the lien is abolished by statute.<sup>3</sup>

In New Hampshire and Connecticut the question is undecided.<sup>4</sup> In the Federal courts the lien is recognized.<sup>5</sup> It is to be noted that a vendor's lien is only valid as a security for an unpaid purchase price in money or its equivalent, and, therefore, if the consideration is the performance of an act, the non-performance of which gives rise to a claim for unliquidated damages, no lien attaches.<sup>6</sup>

452; *Dennis v. Williams*, 40 Ala. 633; *McKnight v. Brady*, 2 Mo. 89; *Carroll v. Van Rensselaer*, Harring. Ch. (Mich.) 225; *Scott v. Edgar*, 159 Ind. 38; *Cassell v. Lowry*, 164 Ind. 1; *Sears v. Smith*, 2 Mich. 243; *Lyon v. Clark*, 132 Mich. 521; *Halvorsen v. Halvorsen*, 120 Wis. 52; *Johnson v. McKinnon*, 45 Fla. 388; *Hodgson v. Smith*, 136 Ia. 515; *McLaurie v. Thomas*, 39 Ill. 291; *Evans v. Goodlet*, 1 Blackf. 246; *Tierman v. Beam*, 2 Ohio, 383; *Arketel v. Converse*, 17 Ohio St. 11; *Francis v. Wells*, 2 Colo. 660; *Salomon v. Martin*, 17 Colo. App. 60; *Shall v. Biscoe*, 18 Ark. 142; *Waddell v. Carlock*, 41 Id. 523; *Burrus v. Roulhac*, 2 Bush, 39; *Maupin v. McCormick*, Id. 206; *Pierson v. David*, 1 Ia. 23; *McDole v. Purdy*, 23 Id. 277; *Tobey v. McAllister*, 9 Wis. 463; *Daughaday v. Paine*, 6 Minn. 443; *Truebody v. Jacobson*, 2 Cal. 269; *Burt v. Wilson*, 28 Id. 632; *Woods v. Bailey*, 3 Fla. 41; *Marks v. Baker*, 20 Id. 920; *Pease v. Kelly*, 3 Oreg. 417; *Gee v. McMillan*, 14 Id. 268 (but see *Kelly v. Ruble*, 11 Id. 75); *McAlpine v. Burnett*, 23 Tex. 649; *Birdsall v. Cropsey*, 29 Neb. 672, 679. Also Indian Territory, *Hampton v. Mayes*, 3 Ind. Ter. 65.

<sup>1</sup> *Philbrook v. Delano*, 29 Me. 410; *Irvine v. Campbell*, 6 Birm. 118; *Stouffer v. Coleman*, 1 Yeates, 398;

*Heist v. Baker*, 49 Pa. 9; *Simpson v. Munde*, 3 Kan. 172; *Brown v. Simpson*, 4 Id. 76; *Crawley v. Timberlake*, 1 Fed. Eq. 348; *Wynne v. Alston*, 1 Dev. Eq. 163; *Wragg v. Comp. Gen.*, 2 Dess. 509.

<sup>2</sup> *Ahrend v. Odiorne*, 118 Mass. 261 (see opinion of Ch. J. Gray in this case for an examination of the origin of this lien); *Cannon v. Hudson*, 6 Houst. 21; *Smith v. Allen*, 18 Wash. 1; and also Arizona, *Baker v. Fleming*, 6 Ariz. 418.

<sup>3</sup> In Virginia, when no conveyance of the land has been made, the case is not within the statute. *Day v. Hale*, 22 Gratt. 163.

<sup>4</sup> *Arlin v. Brown*, 44 N. H. 102; *Chapman v. Beardsley*, 31 Conn. 115.

<sup>5</sup> *Bayley v. Greenleaf*, 7 Wheat. 46; *Bush v. Marshall*, 6 How. 284; *Chilten v. Lyons*, 2 Black. 458; *M'Learna v. M'Lellan*, 10 Pet. 640; *Galloway v. Finley*, 12 Id. 264; *Minah Consol. Min. Co. v. Briscoe*, 32 C. C. A. 394.

<sup>6</sup> *Hudelson v. Wilson*, 40 Ill. App. 29.

The doctrine of vendor's lien for unpaid purchase-money is as applicable to a sale of personal estate—such as a reversionary interest in a trust fund—as to a sale of real estate; and accordingly an unpaid vendor of personal estate is entitled to all such remedies for enforcing payment of his purchase-money and interest

### 354. Nature of this lien.

As to the exact nature of the vendor's lien the expressions of text-writers and judges have not been altogether uniform. By one great writer the lien is classed under the head of implied trusts;<sup>1</sup> while, on the other hand, a different view is taken in the American note to *Mackreth v. Symmons*;<sup>2</sup> and this latter opinion seems to be justified by the language of Mr. Justice Story in *Gilman v. Brown*,<sup>3</sup> and by the text of a treatise of unsurpassed authority.<sup>4</sup> It would seem to be plain that this lien is not a trust in the sense of giving the vendor an equitable *title*; but that what he has is a charge or right which has its inception only on bill filed.<sup>5</sup>

### 355. Waived by taking independent security.

The lien of a vendor for unpaid purchase-money does not arise, or rather is considered as waived, if a distinct and independent security for the purchase-money is taken. The plainest case, perhaps, is where a mortgage is taken on another estate, the obvious intention of burdening one estate being that the other shall remain free and unencumbered.<sup>6</sup> Any other independent security, as, for example, a pledge of stock, a mortgage on the land sold, or the like, would have the same effect.<sup>7</sup>

as he would have been entitled to under an express mortgage or charge. *Stucley v. Kekewich* [1906], 1 Ch. 67.

<sup>1</sup> Story's Eq. § 1219. See, also, *Snell's Principles of Eq.* 105; note to 2 Sug. V. & P. 376 (8th Am. ed.). See, also, *Ringgold v. Bryan*, 3 Md. Ch. 488; *Moreton v. Harrison*, 1 Bland, 491; *Iglehart v. Armiger*, Id. 516, 524, 525; *Miller v. Albright*, 60 Ohio, 48.

<sup>2</sup> 1 Lead. Cas. Eq. 373.

<sup>3</sup> 1 Mason, 191. "It (the lien) is not therefore an equitable estate in the land itself, although that appellation is loosely applied to it." See 4 Wheat. 292, note.

<sup>4</sup> Sug. V. & P. 379 (8th Am. ed.).

<sup>5</sup> See 1 Lead. Cas. Eq. 366 (Am. note); *Robinson v. Appleton*, 124 Ill. 276; *Robinson v. Owens*, 103 Tenn. 91. And it may be enforced though a judgment on the debt se-

cured is barred at law. *Paxton v. Rich*, 85 Va. 378.

<sup>6</sup> By the Master of the Rolls in *Nairn v. Prowse*, 6 Ves. 752, 760. See, also, *Earl of Jersey v. Briton Ferry Floating Dock Co.*, L. R. 7 Eq. 409. See, however, *Boos v. Ewing*, 17 Ohio, 500; *Anketel v. Converse*, 17 Ohio St. 11.

<sup>7</sup> *Nairn v. Prowse*, 6 Ves. 752; *Richardson v. Ridgely*, 8 Gill & J. 87; *White v. Dougherty*, 1 Martin & Y. 309; *Young v. Wood*, 11 B. Mon. 123; *Mattix v. Weand*, 19 Ind. 151; *Harris v. Harlan*, 14 Id. 439; *Shelby v. Perrin*, 18 Tex. 515; *Camden v. Vail*, 23 Cal. 633; *Hadley v. Pickett*, 25 Ind. 450; *Mims v. Macon*, etc., R. R. Co., 3 Kelly, 333; *Little v. Brown*, 2 Leigh, 353; *Cresap v. Manor*, 63 Tex. 485; *Brown v. Gilman*, 4 Wheat. 291; *Fish v. Howland*, 1 Paige Ch. 30; *Phillips v. Saunderson*, 1 Sm. & M. Ch. 462;

But the taking of such independent security, although evidence of a waiver, is not conclusive evidence.<sup>1</sup>

But a mere personal security, as, for example, a bond, or a bill, or a promissory note, will not of itself operate as a waiver of the lien.<sup>2</sup> And the recital in a note taken for the unpaid purchase-money that the maker waives his right of exemption as to personal property, does not raise a presumption that there was thereby a waiver of the vendor's lien.<sup>3</sup> Where, however, the bill or note is taken as *payment* of the consideration-money, in other words, where the security was in fact the thing bargained for, the lien is gone.<sup>4</sup> And where the vendor takes a negotiable note drawn by a third person and endorsed by the purchaser, or drawn by the purchaser and endorsed by a third person, the presumption of the lien is thereby repelled.<sup>5</sup>

Where the conveyance is made in consideration of the covenants entered into by the same deed for the payment of the price, there is no room for any *implied* security, and hence no vendor's lien will arise.<sup>6</sup> Nor whenever any consideration other than the purchase of lands enters into the debt, and no *data*

*Mitchell v. Shaneberg*, 149 Ill. 420; *Winn v. The Lippincott Co.*, 125 Mo. 528; *McKeown v. Collins*, 38 Fla. 276. See *Boise v. Benham*, 127 N. Y. 620. See, however, *Hannah v. Davis*, 112 Mo. 599; *Welch v. Farmers' Trust Co.*, 165 Fed. Rep. 561.

<sup>1</sup> *Manly v. Slason*, 21 Vt. 271; *Daughaday v. Paine*, 6 Minn. 443; *Mackreth v. Symmons*, *supra*; 2 Sug. V. & P. 386, notes; *Jackson v. Stanley*, 87 Ala. 270; *Chapman v. Chapman*, 55 Ark. 542; *Scott v. Edgar*, 159 Ind. 38. See, also, in case of fraud, *Florida v. Morrison*, 44 Mo. App. 529.

<sup>2</sup> *Collins v. Collins*, 31 Beav. 346; *Hughes v. Kearney*, 1 Sch. & Lef. 134; *Winter v. Lord Anson*, 1 Sim. & Stu. 434; 3 Russ. 488; *In re Taylor et al.* [1891], 1 Ch. 590 (a case of a solicitor's lien); *White v. Williams*, 1 Paige Ch. 502; *Garson v. Green*, 1 Johns. Ch. 308; *Mims v. Macon*, etc., R. R. Co., 3 Kelly, 333; *Baum v. Grigsby*, 21 Cal. 172; *Thornton v.*

*Knox*, 6 B. Mon. 74; *Pinchain v. Col-lard*, 13 Tex. 333; *Manly v. Slason*, 21 Vt. 271; *Van Doren v. Todd*, 3 N. J. Eq. 397; *Tobey v. McAllister*, 9 Wis. 463; *Hoggatt v. Wade*, 10 Sm. & Marsh. 143; *Davis v. Smith*, 88 Ala. 596; *Zwingle v. Wilkinson*, 94 Tenn. 246; note to *Mackreth v. Symmons*, 1 Lead. Cas. Eq. 464, 484.

<sup>3</sup> *Eudora Co. v. Barclay*, 122 Ala. 506. See, also, *Chastain v. Hames*, 124 Id. 618.

<sup>4</sup> *Buckland v. Pocknell*, 13 Sim. 406; note to 1 Lead. Cas. Eq. 470 (4th Am. ed.); *Springfield*, etc., R. Co. v. *Stewart*, 51 Ark. 285.

<sup>5</sup> 2 Sug. V. & P. 386, note k, and cases cited; *Richardson v. Green*, 46 Ark. 267; *Springf., etc., R. Co. v. Stewart*, 51 Ark. 285; *Shrimsher v. Newton*, 3 Ind. Ter. 555.

<sup>6</sup> *Clarke v. Royle*, 3 Sim. 499; *Earl of Jersey v. Dock Co.*, L. R. 7 Eq. 409; 2 Sug. V. & P. 381 (8th Am. ed.). See *Winter v. Lord Anson*, 1 Sim & St. 434; 3 Russ. 488.

exist from which the particular price agreed to be paid for the land can be distinguished and ascertained.<sup>1</sup>

### 356. Parties for and against whom the lien exists.

As to the parties for and against whom the vendor's lien exists, it may be remarked, in the first place, that the lien will exist in favor of a legatee (for example) whose legacy has been taken to pay for the purchase of an estate in the hands of the heir; in other words, the purchased estate and the personal estate will be marshalled.<sup>2</sup> The lien is enforceable against all persons claiming under the vendee with notice, although for a valuable consideration,<sup>3</sup> or a volunteer<sup>4</sup> but not as against a *bona fide* purchaser without notice.<sup>5</sup>

In the American note to *Mackreth v. Symmons*, it is said that the vendor's lien does not necessarily prevail over that of judgment-creditors of the vendee, but that "it depends upon the relative equities and rights of the disputants, in comparison with one another;"<sup>6</sup> and that "lien-creditors will supplant one who, though he had a right in equity to charge the land, through his own *laches* and default failed to secure a lien."<sup>7</sup> Mr. Justice Story, however, in his *Commentaries on Equity Jurisprudence*, says that the lien of a vendor "will prevail against the judgment-creditor of a vendee before an actual conveyance of the estate has been made to him, and as it should seem also against such a judgment-creditor after the conveyance."<sup>8</sup> But while, so far as those cases in which there has been no conveyance are concerned, it must be remembered that the right of a vendor is not a mere lien, but an *estate*, and it is difficult to see how

<sup>1</sup> *Sykes v. Betts*, 87 Ala. 537; *Peters v. Tunell*, 43 Minn. 473; *Gard v. Gard*, 108 Cal. 19.

<sup>2</sup> *Austen v. Halsey*, 6 Ves. 475; *Cheesebrough v. Millard*, 1 Johns. Ch. 412; *Iglehart v. Armiger*, 1 Bland, 519.

<sup>3</sup> *Mackreth v. Symmons*, 15 Ves. 329; *Meigs v. Dimock*, 6 Conn. 458; *Stafford v. Van Rensselaer*, 9 Cow. 316; *Magruder v. Peter*, 11 Gill & J. 217; *Redford v. Gibson*, 12 Leigh, 332; *Mounce v. Byars*, 16 Ga. 469; *Cox v. Fenwick*, 3 Bibb, 183; *Williams v. Roberts*, 5 Ohio, 35; 1 Lead.

*Cas. Eq.* 496 (4th Am. ed.); 2 Sug. V. & P. 393; *Winters v. Fain*, 47 Ark. 493.

<sup>4</sup> *Chastain v. Hames*, 124 Ala. 618.

<sup>5</sup> *Bayley v. Greenleaf*, 7 Wheat. 46; *Schwarz v. Stein*, 29 Md. 112; *Blight's Heirs v. Banks*, 6 Mon. 192, 198; *Gooch v. Baxter*, 2 Duval, 389; *Work v. Brayton*, 5 Ind. 396; *Maroney v. Boyle*, 141 N. Y. 462; *Robinson v. Owens*, 103 Tenn. 91. See, however, *Day v. Hale*, 22 Gratt. 163.

<sup>6</sup> 1 Lead. *Cas. Eq.* 374.

<sup>7</sup> *Id.*

<sup>8</sup> *Story's Eq. Jurisp.* § 1228.

that legal estate can be postponed to a mere charge against the equitable estate of the vendee, yet when there has been an actual conveyance of the legal title, it is equally difficult to see why the claims of creditors should be postponed to a secret encumbrance which the vendor has failed to render secure. It has, therefore, been held in several cases that the vendor's lien will not prevail against judgment-creditors, or against purchasers under an execution sale;<sup>1</sup> and the language of the court in *Bayley v. Greenleaf*<sup>2</sup> is certainly in favor of the creditors. There are, however, some decisions the other way.<sup>3</sup>

An equitable mortgage created by the purchaser, by a deposit of title deeds in favor of a person who takes *bona fide*, and without notice, will give the latter a preferable equity, which will overreach the vendor's lien on the estate for any part of the purchase-money.<sup>4</sup>

Persons coming in under the purchaser by act of law, as assignees of a bankrupt, are bound by the lien; although they had no notice of it.<sup>5</sup>

The purchaser of an estate who has paid part of the purchase-money, has a lien on it to that extent if the vendor cannot make title.<sup>6</sup>

### 357. Deposit of title deeds.

The next equitable lien which deserves consideration is that which grows out of a deposit of title deeds. The *prima facie* effect of such a deposit would seem to be simply to create a lien upon the title deeds deposited, in the nature of a solicitor's lien upon papers in his possession: but it has been decided in England, and in some of the United States, that the deposit will not merely operate to create a lien upon the papers, but will enure as a charge upon the land itself in the nature of a mort-

<sup>1</sup> *Johnson v. Cawthorn*, 1 Dev. & Bat. Eq. 32; *Harper v. Williams*, Id. 379; *Crawley v. Timberlake*, 1 Ired. Eq. 346; *Roberts v. Rose*, 2 Humph. 145, 147; *Hall v. Jones*, 21 Md. 439.

<sup>2</sup> 7 Wheat. 46.

<sup>3</sup> *Aldridge v. Dumm*, 7 Blatchf. 249; *Parker v. Kelly*, 10 Sm. & M. 184; *Miller v. Albright*, 60 Ohio, 48.

<sup>4</sup> 2 Sug. V. & P. 396 (8th Am. ed.); *Rice v. Rice*, 2 Drew. 73; *Schwartz v. Stein*, 29 Md. 112. See

*Pierce v. Milwaukee and St. Paul R. Co.*, 24 Wis. 551, where a mortgage of subsequently acquired real estate was held to be a lien thereon in preference to the lien of the vendor of the real estate.

<sup>5</sup> 2 Sug. V. & P. 395.

<sup>6</sup> *Wythes v. Lee*, 3 Drew. 396; *Rose v. Watson*, 10 H. L. Cas. 672; *Abramsman Iron Works v. Wickens*, L. R. 4 Ch. 101; 1 Lead. Cas. Eq. 474 (4th Am. ed.); 2 Sug. V. & P. 379.

gage. The first case in England in which this doctrine seems to have been authoritatively settled was *Russel v. Russel*, decided by Lord Thurlow in 1783;<sup>1</sup> and this decision, though strongly disapproved, has, nevertheless, been recognized by many cases as a binding authority;<sup>2</sup> and the doctrine may, therefore, be considered as well established in spite of its apparent infringement upon the Statute of Frauds.<sup>3</sup>

While the effect of a deposit of title deeds in creating a lien upon the estate may be considered as definitely settled, the ascertainment of the exact manner in which it operates is not unattended with difficulties. It has been decided that no agreement to execute a formal mortgage can be implied from such a deposit;<sup>4</sup> and it has also been held that an agreement to give a legal mortgage, accompanied by a deposit of the title deeds for the purpose of preparing such a mortgage, will not constitute a valid equitable mortgage.<sup>5</sup> On the other hand, a different conclusion from that reached in *Norris v. Wilkinson* was arrived at in several cases, and the balance of authority is, perhaps, in favor of the proposition that a delivery of deeds for the purpose of preparing a legal mortgage constitutes a valid equitable mortgage.<sup>6</sup> Whether an equitable mortgage can be implied from the simple fact, without more, of the adverse possession of title deeds seems to be doubtful.<sup>7</sup>

The security by deposit of title deeds has been held to extend to subsequent advances made upon the understanding that they were to be secured by the deposit.<sup>8</sup>

<sup>1</sup> 1 Bro. C. C. 269; 1 Lead. Cas. Eq. 674 (4th Am. ed.).

<sup>2</sup> See *Ex parte Coming*, 9 Ves. 115; *Pryce v. Bury*, 2 Drew. 42; *Fenwick v. Potts*, 8 De G., M. & G. 506; *Daw v. Terrell*, 33 Beav. 218; 1 Lead. Cas. Eq. 543.

<sup>3</sup> See *Pryce v. Bury*, 2 Drew. 42; *Ferris v. Mullins*, 2 Sm. & Giff. 378; and the remarks of Lord Abinger, in *Keys v. Williams*, 3 Y. & C. Ex. Ca. 55, 61. See *Dixon v. Muckleston*, L. R. 8 Ch. 155, where the deeds were accompanied by a letter which took the case out of the statute.

<sup>4</sup> *Sporle v. Whayman*, 20 Beav. 607.

<sup>5</sup> *Norris v. Wilkinson*, 12 Ves. 192;

*Ex parte Hooper*, 1 Meriv. 7; *Ex parte Pearse*, 1 Buck. 525; *Garnham v. Skipper*, 34 W. R. 135; *Hutsler v. Phillips*, 26 S. C. 136.

<sup>6</sup> *Edge v. Worthington*, 1 Cox Ch. 211; *Ex parte Bruce*, 1 Rose, 374; *Hockley v. Bantock*, 1 Russ. 141; *Keys v. Williams*, 3 Y. & Col. 55; 1 L. Ca. Eq. 547; *Bullock v. Orgo*, 57 N. J. Eq. 428.

<sup>7</sup> See *Ex parte Coming*, 9 Ves. 115; *Chapman v. Chapman*, 13 Beav. 308; *Smith v. Constant*, 4 De G. & Sm. 213; *Burgess v. Moxom*, 2 Jur. (N. s.) 1059.

<sup>8</sup> *Ex parte Kensington*, 2 V. & B. 79; *James v. Rice*, 5 De G., M. & G. 461; 1 Lead. Cas. Eq. 545.



The only remaining points, upon this subject, that seem to require to be stated are that a lien may be created by the deposit of *part* only of the title deeds;<sup>1</sup> that it will be a charge only upon the interest of the party making the deposit;<sup>2</sup> that the mortgagee must be prompt in getting the actual possession of the deeds;<sup>3</sup> and that the mortgagee's appropriate remedy is foreclosure.<sup>4</sup>

Mortgages by deposit of title deeds have been sustained in several states of the Union, although they have not been of frequent occurrence.<sup>5</sup> They have been disapproved of in Kentucky,<sup>6</sup> and rejected in Pennsylvania,<sup>7</sup> Ohio,<sup>8</sup> Nebraska,<sup>9</sup> and Georgia.<sup>10</sup> In Vermont the question is undecided.<sup>11</sup> In quite a number of cases agreements to give a mortgage have been held to create a lien.<sup>12</sup>

### 358. Mortgages of personalty.

The next class of liens requiring attention are those which grow out of mortgages and pledges of personalty.

<sup>1</sup> See *Ex parte* Chippendale, 1 Deacon, 67; *Lacon v. Allen*, 3 Drew. 579; *Roberts v. Croft*, 2 De G. & J. 1.

<sup>2</sup> *Williams v. Medlicot*, 6 Price, 495; *Turner v. Letts*, 20 Beav. 185.

<sup>3</sup> *Farrand v. Yorkshire Banking Company*, 40 Ch. D. 182.

<sup>4</sup> *Redmayne v. Forster*, L. R. 2 Eq. 467; though see *Tuckley v. Thompson*, 1 Johns. & H. 126. See the case of *Northern Counties Ins. Co. v. Whipp*, 26 Ch. D. 482, for a statement of the cases in which a mortgagee by deposit of title deeds may acquire priority over an earlier and legal mortgagee.

<sup>5</sup> *Rockwell v. Hobby*, 2 Sand. Ch. 9; *Chase v. Peck*, 21 N. Y. 587; *Stoddard v. Hart*, 23 Id. 561; *Griffin v. Griffin*, 18 N. J. Eq. 104; *Bullowa v. Orgo*, 57 Id. 428; *Welsh v. Usher*, 2 Hill Ch. 167; *Williams v. Stratton*, 10 S. & M. 418; *Mounce v. Byars*, 16 Ga. 469; *Robinson v. Urquhart*, 1 Beas. 515; *Hackett v. Reynolds*, 4 R. I. 512; *Jarvis v. Dutcher*, 16 Wis.

307; *Richards v. Leaming*, 27 Ill. 431; *Keith v. Horner*, 32 Ill. 524. Question discussed in *Hutzler v. Phillips*, 26 S. C. 136, and subsequently in *Parker v. Bank*, 53 Id. 583, where *Hustler v. Phillips* was criticised.

<sup>6</sup> *Vanmeter v. McFaddin*, 8 B. Mon. 435.

<sup>7</sup> *Bowers v. Oyster*, 3 P. & W. 239; *Shitz v. Dieffenbach*, 3 Pa. 233; *Edwards v. Trumbull*, 50 Id. 509.

<sup>8</sup> *Probasco v. Johnson*, 2 Disney, 96.

<sup>9</sup> *Bloomfield State Bank v. Miller*, 55 Neb. 243.

<sup>10</sup> *Davis v. Davis*, 88 Ga. 191 (Stat.).

<sup>11</sup> *Bicknell v. Bicknell*, 31 Vt. 498.

<sup>12</sup> See *Read v. Simons*, 2 Dess. 552; *Matter of Howe*, 1 Paige Ch. 125; *Bank of Muskingum v. Carpenter*, 7 Ohio, 21; *Hall v. Hall*, 50 Conn. 104; *Bullowa v. Orgo*, 57 N. J. Eq. 428; *Hamilton Trust Co. v. Clemes*, 163 N. Y. 423; *Foster Lumber Co. v. Bank*, 71 Kan. 158.

It has been stated in a former chapter that mortgages of personalty resemble, in most respects, mortgages of realty; so far, at all events, as the existence of the equity of redemption and of the remedy by foreclosure are concerned.<sup>1</sup> There is, however, this distinction between mortgages of real and personal property, namely, that while in the former a foreclosure suit is necessary in order to enable the mortgagee to sell, in the latter a sale may be had without the necessity of filing a bill. After breach of condition, and upon giving due notice, the mortgagee of personalty may sell the property mortgaged, as he could at civil law; and the title, if the sale is made *bona fide*, will vest absolutely in the vendee.<sup>2</sup>

It may also be observed that just as absolute sales of personal property to be acquired *in futuro*, which would not have been considered good under the strict rules of common law, may be sustained in equity, so, also, mortgages of similar property which would not be recognized in courts of law, may be upheld in Courts of Chancery. Thus, the case of *Holroyd v. Marshall*,<sup>3</sup> referred to in a former chapter,<sup>4</sup> was the case of a mortgage (*inter alia*) of personalty which did not come into the possession of the mortgagor until after the date of the mortgage. Such a transfer would be invalid according to the strict doctrine of the common law, but is now thoroughly recognized in courts of equity; and mortgages or charges in the nature of mortgages, upon personal property which is not already *in*, but is to come *into*, the possession of the mortgagor, are of not unfrequent occurrence in modern times, and are constantly upheld.<sup>5</sup> It is true, that according to the rule established in *Twyne's Case*,<sup>6</sup> transfers of

<sup>1</sup> *Ante*, Part I., Chap. VII., § 161, note.

<sup>2</sup> *Tucker v. Wilson*, 1 P. Wms. 261; *Hart v. Ten Eyck*, 2 Johns. Ch. 100; *Parker v. Brancker*, 22 Pick. 46; *De Lisle v. Priestman*, 1 P. A. Browne, 176; *Doane v. Russell*, 3 Gray, 382; *Story's Eq. Jurisp.* § 1031.

<sup>3</sup> 10 H. L. Cas. 209.

<sup>4</sup> *Ante*, § 165.

<sup>5</sup> See *ante*, § 165, and cases cited in the notes; to which may be added *Groton Manufacturing Co. v. Gardiner*, 11 R. I. 626. The basis upon which a lien, in such cases, is rested,

is that a party can agree to give a lien upon property as soon as he gets it, and equity will enforce the agreement, and establish the lien (*National Bank of Deposit v. Rogers*, 166 N. Y. 380); and that equity will carry out an intent to give a lien by treating that as done which ought to be done; *Id. Contra: Deeley v. Dwight*, 132 N. Y. 59; *Rochester Distilling Co. v. Rasey*, 142 Id. 570, and *Steele v. Aashenfelter*, 40 Neb. 770.

<sup>6</sup> 1 Sm. Lead. Cas. 38.

personal property, unaccompanied by the delivery of possession, are to be considered fraudulent and void as against the creditors of the assignor; but even under the rule thus laid down it has been held that an exception exists in favor of articles which, at the time of the sale, are not susceptible of actual delivery, as, for example, merchandise at sea, or in the hands of a third person.<sup>1</sup> Therefore, it is no objection to a mortgage of property to be acquired *in futuro* that it is not delivered at once and is, therefore, liable to the rule in *Twyne's Case*, for the obvious reason that it falls entirely outside of the doctrine there enunciated. Indeed, the tendency in equity is not to regard the delivery of possession of personal property as always essential to a valid mortgage of the same;<sup>2</sup> and hence, mortgages of certain kinds of personal property, as, for example, of the rolling stock of a railroad, are of frequent occurrence. Such mortgages are, in many states, allowed and regulated by statute; but the same end is also attained through the modern equitable doctrines in regard to mortgages of personal property.<sup>3</sup>

### 359. Pledges.

Between a *mortgage* of personal property and a *pledge* thereof, there are one or two points of difference of considerable importance. "A mortgage," it was said in *Jones v. Smith*,<sup>4</sup> "is a pledge and more, for it is an absolute pledge to become an absolute interest if not redeemed at a certain time."

A pledge, therefore, differs, on the one hand, from a lien, which confers no right to sell, but only a right to retain until the debt in respect of which the lien was created has been satisfied;<sup>5</sup> and, on the other hand, from a mortgage, which conveys the entire property of the thing mortgaged to the mortgagee

<sup>1</sup> Notes to *Twyne's Case*, 1 Sm. Lead. Cas. 33.

<sup>2</sup> *Walcott v. Keith*, 2 Forst. 196, and *Whittle v. Skinner*, 23 Vt. 531.

<sup>3</sup> See *Philadelphia, etc., R. R. Co. v. Woelpper*, 64 Pa. 372; *Ladley v. Creighton*, 70 Id. 494; *Morrill v. Noyes*, 56 Me. 465; 2 *Redfield on Railways*, 501, 508; *Jones on Mortgages*, §§ 153, 154, 172; *ante*, § 165. In England liens are frequently created by debentures upon the "undertaking" of a company, by which

the debenture holder acquires a charge upon all the property of the company, past and future, which he can enforce by filing a bill, and which will entitle him to priority if the company is wound up. See *In re Panama, etc., Royal Mail Company*, L. R. 5 Ch. 318.

<sup>4</sup> 2 Ves. Jr. 372.

<sup>5</sup> *Thames Iron Works Co. v. The Patent Derrick Co.*, 1 Johns. & H. 93; *In re Ralston*, 34 Ch. D. 495; *Vanstone v. Goodwin*, 42 Me. App. 39.

conditionally, so that when the condition is broken the property remains absolutely in the mortgagee, whereas a pledge never conveys the general property to the pledgee, but only a special property in the thing pledged.<sup>1</sup>

According to the modern authorities, the remedy of the pledgee is twofold; he may either file a bill in chancery in the nature of a foreclosure bill, and proceed to a judicial sale; or, he may sell without judicial process upon giving reasonable notice to the pledgor to redeem, and of the intended sale.<sup>2</sup> It had, in former times, been the rule of common law, that in the absence of an express power of sale,<sup>3</sup> the pledgee was obliged to have recourse to the process of law to call upon the pledgor to redeem; and that the right of redemption could not be destroyed by anything short of a judicial sale;<sup>4</sup> but the rule now appears to be settled in favor of the right of the pledgee to sell upon notice, without resorting to a foreclosure bill. The right to sell upon notice, however, is one in the exercise of which a great deal of care is required; and the pledgee may be held responsible if he does not strictly follow all the requirements of the law by which this right is fenced in.<sup>5</sup> The safer course in all cases would, therefore, be to file a bill, and obtain an order for a judicial sale.

Cases moreover may arise in which some other relief than an order of sale may be needed. Thus, in a case in Maine, a savings bank-book had been delivered by the debtor to a third party for delivery to the creditor by way of pledge. The debtor having died, the creditor filed a bill for relief. It was held that the case was one in which a more complete remedy could be afforded in equity than by the exercise of the common-law right to sell the pledge; and the court by its decree fixed a time within which the

<sup>1</sup> American note to *Coggs v. Bernard*, 1 Sm. Lead. Cas. 384.

<sup>2</sup> *Stearns v. Marsh*, 4 Denio, 227; *Davis v. Funk*, 39 Pa. 243; *Diller v. Brubaker*, 52 Id. 502; *Tucker v. Wilson*, 1 P. Wms. 261; *Lockwood v. Ewer*, 9 Mod. 278; *Pigot v. Cubley*, 15 C. B. (N. S.) 701, and note by the American editor; *Worthington v. Tormey*, 34 Md. 182; *Strong v. Nat. Mech. Bank Ass'n*, 45 N. Y. 718; *Case v. McCabe*, 35 Mich. 101; note to *Coggs v. Bernard*, 1 Sm. Lead. Cas. 384; *Story on Bailments*,

§§ 308, 310; 2 Kent's Com. 582; *White River Savings Bank v. Capital Bank*, 77 Vt. 130.

<sup>3</sup> *Moses v. Grainger*, 106 Tenn. 7.

<sup>4</sup> *Story on Bailments*; 2 Kent's Com. *ut sup.*

<sup>5</sup> As to the damages for a wrongful sale by the pledgee, see *Johnson v. Stear*, 15 C. B. (N. S.) 330, and note by the American editor. See, also, *Donald v. Suckling*, L. R. 1 Q. B. 585; *Halliday v. Holgate*, L. R. 3 Exch. 299; *Fisher v. Brown*, 104 Mass. 259.

administratrix of the debtor should have a right to redeem, in default of which the deposit should be taken charge of by an officer of the court and disposed of under the court's direction.<sup>1</sup>

It has been held that a court of equity will entertain a bill by the pledgor to compel a delivery of the pledge after the debt is paid;<sup>2</sup> and while it may be doubted whether under ordinary circumstances the remedy at law might not be adequate,<sup>3</sup> yet it is clear that where the case involves questions of account, and the ascertainment of indefinite charges, a bill in equity is the proper remedy.<sup>4</sup>

### 360. Liens in aid of equitable and legal rights.

Before leaving the subject of the present chapter it may be remarked that a Court of Chancery, in enforcing equitable titles or equitable rights, not unfrequently makes use of the doctrine of liens in order to render the relief afforded more effective. To give but a single instance. The doctrine of marshalling assets and securities results sometimes in the substitution of one party to the lien to which another had been entitled.

Thus, in a modern case, a firm in Ceylon consigned coffee to a firm in England, by whom the coffee, together with certain securities of their own, was pledged to their broker to secure a debt. The English firm having become insolvent, the broker sold the coffee and enough of the securities to satisfy his debt; and it was held that the Ceylon firm were entitled as against the English firm in liquidation to have the remaining securities in the broker's hands marshalled, and to have a lien thereon for the balance due them in the coffee transaction.<sup>5</sup> So, also, a Court of Chancery will lend its assistance to the enforcement of a legal lien. Thus in *Schotsmans v. Lancashire Railway Company*, a bill was filed to protect a vendor's right of stoppage *in transitu*; and although under the facts of the case the bill was dismissed, yet the right to bring such a bill was expressly recognized by the court.<sup>6</sup>

<sup>1</sup> *Boynton v. Payrow*, 67 Me. 587; *Hall v. Cayot*, 141 Cal. 13.

<sup>2</sup> *Brown v. Runals*, 14 Wis. 693. See, also, *Ayres v. Wattson*, 57 Pa. 360, a bill to obtain the surrender of a ground-rent and the surrender and satisfaction of a mortgage.

<sup>3</sup> So decided in *Roland v. Lancaster Bank*, 135 Pa. 598.

<sup>4</sup> *Conyngham's Appeal*, 57 Pa. 474; *White Mts. R. R. v. Bay State Iron Co.*, 50 N. H. 57; *Merrill v. Houghton*, 51 Id. 61 (a bill to redeem stock); *Hagan v. Bank*, 182 Mo. 319.

<sup>5</sup> *Ex parte Alston*, L. R. 4 Ch. 168. See, also, *Bell v. Pelt*, 51 Ark. 433.

<sup>6</sup> *Schotsmans v. Lancashire Railway Co.*, L. R. 2 Ch. 332; *Leopold v.*

On the same principle it has been held that where a bank discounts a note and places the proceeds to the credit of the borrower, it can, in case of the insolvency of the depositor, retain the proceeds to meet the note.<sup>1</sup>

Silverman, 7 Mon. 266; Aldine Manufacturing Co. v. Phillips, 118 Mich. 162. In this last case the court said: "While equity, having acquired jurisdiction for other purposes, may order sales of property for the satisfaction of liens as an incident to the general relief, it has no jurisdiction to enforce a lien, whether common or statutory, upon a bill filed solely for that purpose."

<sup>1</sup> Dougherty Brothers v. Central Nat. Bank, 93 Pa. 233; Lancaster County Nat. Bank v. Huver, 114 Id. 216. It is to be observed that the insolvency occurred, in these cases, almost immediately after the transaction. The suits were at law; but the rulings were upon equitable doctrines.

## PART III.

### EQUITABLE REMEDIES.

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#### CHAPTER I.

##### SPECIFIC PERFORMANCE.

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| <p>361. General nature of this equitable remedy.</p> <p>362. Inadequacy of common-law remedies.</p> <p>363. Other grounds of the superiority of the remedy in equity.</p> <p>364. Contracts for the sale of real estate.</p> <p>365. May be enforced between original parties, and those who claim under them.</p> <p>366. May be enforced as to real estate outside of the jurisdiction.</p> <p>367. Covenants for further assurance.</p> <p>368. Personal property.</p> <p>369. When damages cannot be ascertained.</p> <p>370. Other contracts.</p> <p>371. Specific performance rests in discretion of the court.</p> <p>372. Contract must be founded on a valuable consideration.</p> <p>373. Meritorious considerations.</p> <p>374. Adequacy.</p> <p>375. Performance in specie must be necessary.</p> <p>376. Must be in accordance with general equitable doctrines.</p> <p>377. Contract must be mutual, certain and practicable.</p> <p>378. Purchaser not compellable to accept a doubtful title.</p> <p>379. <i>Pyrke v. Waddingham</i>.</p> | <p>380. Other rules as to title.</p> <p>381. Parol variations of written contracts; <i>Townshend v. Stangroom</i>.</p> <p>382. Authorities in the United States.</p> <p>383. Statute of Frauds; exceptions.</p> <p>384. Part performance.</p> <p>385. What constitutes part performance.</p> <p>386. When the reduction of the contract to writing is prevented by fraud.</p> <p>387. When the parol contract is admitted in the answer.</p> <p>388. Specific performance with compensation for defects.</p> <p>389. When the purchaser may be compelled to take.</p> <p>390. When he may elect to take; limitations upon this doctrine.</p> <p>391. Time to make out a title beyond the day.</p> <p>392. Due diligence required.</p> <p>393. Rule altered by express stipulations, or by presumptions growing out of the nature of the contract.</p> <p>394. Surrounding circumstances.</p> <p>395. Compensation; <i>Sir Hugh Cairns's Act</i>.</p> <p>396. Doctrine in the United States.</p> <p>397. Parties compelled to make good their representations.</p> <p>8. Enforcing negative covenants.</p> |
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### 361. General nature of this equitable remedy.

It is one of the characteristic features of the relief afforded by courts of equity, that the effort always is to put the complainant in exactly the position he would have occupied had it not been for the wrongful act of the defendant; and in no head of chancery jurisdiction is this more strikingly exemplified than in the Equitable Remedy of Specific Performance of Contracts and Duties.

This remedy is one of the very earliest heads of the extraordinary jurisdiction of the High Court of Chancery, as will be seen by reference to the authorities from the Chancery Calendar, cited in the Introduction;<sup>1</sup> and not only is it one of the most ancient, but it has been found, also, to be one of the most useful of equitable means of redress, and has continued to be uninterruptedly applied by courts of general equity powers down to the present day. The effectiveness, moreover, of the relief thus afforded by the Court of Chancery in England, has been still further enhanced, of late years, by the authority conferred by statute to give compensation in addition to, or in lieu of the remedy by specific performance, as will be seen further on.<sup>2</sup>

### 362. Inadequacy of common-law remedies.

The reasons for the original growth and subsequent exercise of this equitable remedy are obvious. At common law the general rule was (following the civil-law maxim, *nemo precise cogi ad factum*) to give only pecuniary damages as redress for all injuries, whether the injury resulted from a refusal to fulfil a contract to deliver property of the defendant, or from a wrongful detention of property of the plaintiff; in other words, whether

<sup>1</sup> *Kymburley v. Goldsmith*, Chan. Cal. x.: Introduction, § 8, *ante*. See, also, 1 Spence's Eq. 645. "The jurisdiction of courts of equity to decree the specific performance of agreements is of very ancient date, and rests on the ground of the inadequacy and incompleteness of the remedy at law. Its exercise prevents the intolerable travesty of justice involved in permitting parties to refuse performance of their contracts at pleasure, by electing to pay damages for their breach." *Per* Fuller, C. J.,

in *Union Pac. Ry. Co. v. Chicago, Rock Is. & Pac. Ry. Co.*, 163 U. S. 600.

<sup>2</sup> Stat. 21 and 22 Vict. c. 27 (Sir Hugh Cairns's Act); *post*, § 395. In Maryland (Art. 16, § 199 of Code) there is a statutory provision: "No courts shall refuse to specifically enforce a contract on the mere ground that the party seeking its enforcement has an adequate remedy in damages, unless the party resisting its specific enforcement shall show to the court's satisfaction that he



the action sounded in contract or in tort.<sup>1</sup> Land, indeed, belonging to the plaintiff could be specifically recovered; but a contract to sell real estate could not be specifically enforced by any common-law action.<sup>2</sup> And, so far as personal property was concerned, the rule stated above was subject to but two exceptions, viz., detinue and replevin. But in detinue the defendant could wage his law; and the action of replevin lay only for the taking of goods under a wrongful distress, and did not, in England, reach other cases; although in some of the United States it has been extended so as to embrace all kinds of wrongful taking of personalty, and in others it has a still more general application, and is used wherever one man claims goods in the possession of another, and seeks to recover them specifically.<sup>3</sup> But the common-law remedy by damages was in many instances manifestly inadequate; for while it was truly said that "one shilling or one sovereign was as good as another,"<sup>4</sup> and that the money which a plaintiff might recover as damages for the non-delivery of a lot of merchandise would enable him to purchase other articles of exactly the same kind and quality, yet this rule is plainly not true in all cases. Thus a particular house or a particular piece of land may have peculiar advantages of location and vicinage which no other house or piece of land would or could possess, and which no money could, of course, obtain. So, also, there may be many personal chattels which have either a *pretium affectionis*, or a value from some other peculiar cause, and for the loss of which, therefore, pecuniary damages would be an utterly inadequate compensation to the owner; and some cases, moreover, may exist in which it would be entirely impossible to estimate

has property from which such damages may be made, or shall give bond with approved security in a penalty to be fixed by the court to perform the contract or pay all such costs and damages as may, in any court of competent jurisdiction, be adjudged against him for breach or non-performance of such contract." *Neal v. Parker*, 98 Md. 254.

<sup>1</sup> Fry on Specific Performance, § 1.

<sup>2</sup> The remedy by action for a breach of the contract in such a case was extremely inadequate; see 1

Sug. V. & P. 542 (8th Am. ed.); *ante*, Introduction, § 19.

<sup>3</sup> 3 Black. Com. 146; Sharswood's note.

<sup>4</sup> Fry on Spec. Perf. § 11. Where a complainant has an effectual remedy in his own hands, chancery will not interfere. The court, for instance, will not enforce the performance of a condition, the non-performance of which would work a forfeiture, for the grantee has fixed his remedy. *Woodruff v. Water Power Co.*, 10 N. J. Eq. 489; *Marble Co. v. Ripley*, 10 Wall. 360.

the damages for the detention of property, by any known common-law rules.

### 363. Other grounds of the superiority of the remedy in equity.

Other reasons, also, exist for invoking the jurisdiction of a chancellor.

At common law one party to a contract cannot complain of a breach on the part of the other, unless he can show his own compliance with the terms of the agreement in every particular. But in equity specific performance may be decreed, although the complainant may not be able to fulfil his contract to the letter, and this is done by entering a decree with compensation for defects.<sup>1</sup> So, too, time is in equity not generally regarded as of the essence of a contract, and failure on the part of the complainant to comply with his covenants on the exact day will not, necessarily, disentitle him to relief.<sup>2</sup> When to the above is added the circumstance that equity will decree specific performance of a contract on the ground that it has been already so far performed that it would be inequitable to rescind the same, in many cases in which relief would be denied in a court of law, the advantages of the equitable over the legal remedy, and the reasons for its exercise, can be, perhaps, properly appreciated.<sup>3</sup>

### 364. Contracts for the sale of real estate.

From the above general observations it will be perceived that the inadequacy of pecuniary damages and the impossibility of estimating them, form the main grounds upon which the equitable remedy of specific performance may be invoked.<sup>4</sup> It will be convenient to give a few instances of both of these *bases* of chancery jurisdiction.

The remedy of specific performance is most frequently applied to contracts for the sale of real estate. When a binding agreement is entered into to sell land, equity regards the vendor as a trustee of the legal title for the benefit of the vendee, while the latter is looked upon as a trustee of the purchase-money for the benefit of the former.<sup>5</sup> Hence the purchaser has a right to

<sup>1</sup> Fry on Spec. Perf. § 4; *infra*, § 389. But see *Lattin v. Hazard*, 91 Cal. 87 (Code).

<sup>2</sup> Fry on Spec. Perf. 739.

<sup>3</sup> A chancellor will compel a party seeking specific performance to elect

between his remedy at law and his bill in equity. *Findlay v. Keim*, 62 Pa. 117; 2 Daniel's Ch. Prac. § 4.

<sup>4</sup> *Robinson v. Luther*, 134 Ia. 463.

<sup>5</sup> *Richter v. Selin*, 8 S. & R. 425; *Kerr v. Day*, 14 Pa. 114; *Brewer v*

the aid of the chancellor for the purpose of obtaining a conveyance of the legal title to the property of which he is the equitable owner; while, as all remedies ought to be mutual, the vendor can invoke the same aid for the purpose of compelling the buyer to accept a conveyance, and pay the purchase-money.<sup>1</sup> If the contract has been partly performed by the vendee's going into possession or paying the purchase-money,<sup>2</sup> the equity of both parties is, of course, still stronger. Hence it may be said that the circumstance that the contract concerns realty, gives the party a *prima facie* right to come into equity;<sup>3</sup> for it has been

Fleming, 51 Id. 113; Napier v. Darlington, 70 Id. 64; Finley v. Aiken, 1 Gr. Cas. 83; Hallett v. Parker, 68 N. H. 598; Malin v. Malin, 1 Wend. 625; McKechnie v. Sterling, 48 Barb. 330; King v. Ruckman, 20 N. J. Eq. 316; Haughwout v. Murphy, 22 Id. 531, 546; McCreight v. Foster, L. R. 5 Ch. 612; Shaw v. Foster, L. R. 5 H. L. 321; Earl of Egmont v. Smith, 6 Ch. Div. 475; *In re Thackwray and Young's Contract*, 40 Id. 38. A loss by fire after the contract will fall on the purchaser. *Demmy's Appeal*, 43 Pa. 168; *Dunn v. Yakish*, 10 Okl. 388. In *Phinixy v. Guernsey*, 111 Ga. 346, it was said that the doctrine of conversion, stated in the text, has no application unless there is an ability, as well as a willingness, on the part of the vendor to convey, the purchaser not being considered as the owner from the date of the contract unless the vendor is prepared to convey a clear title and is not in default. See, further, *Hill on Trustees*, 272 (4th Am. ed.); *McKechnie v. Sterling*, 48 Barb. 330; 1 Sug. V. & P. 270, and note (8th Am. ed.); *American note to Seton v. Slade*, 2 Lead. Cas. Eq. Part II. 1041; *Sutton v. Davis*, 143 N. C. 474; *Rogers v. Mining Co.*, 154 Fed. Rep. 612.

<sup>1</sup> *Hall v. Smith*, 14 Ves. 426. This would seem to be the general rule. See *Cathcart v. Robinson*, 5 Pet. 278; *Old Colony R. R. v. Evans*, 6 Gray,

25; *Springs v. Sanders*, Phil. (N. C.) Eq. 67; *Hopper v. Hopper*, 16 N. J. Eq. 147; *Schroeppel v. Hopper*, 40 Barb. 25; *Story's Eq.* § 723, note; *Robinson v. Appleton*, 124 Ill. 276; *Abbott v. Moldestad*, 74 Minn. 293; *Pierce v. Stewart*, 61 Ohio, 422; *Baumann v. Pinckney*, 118 N. Y. 604; *Maryland Clay Co. v. Simpers*, 96 Md. 1; *Anderson v. Wallace Co.*, 30 Wash. 147. But in Pennsylvania it has been held that under the statute in that state giving the courts power to "afford specific relief where a recovery in damages would be an inadequate remedy," the vendor is not entitled to the aid of a court of equity, where his demand is simply to recover the purchase-money, without more; his remedy being an action at law. See *Kauffman's Appeal*, 55 Pa. 383; *Dech's Appeal*, 57 Id. 467, 473; *Smalts's Appeal*, 99 Id. 310. But even in Pennsylvania a vendor may file a bill where the decree will not be simply for money payment. *Finley v. Aiken*, 1 Gr. Cas. 83; *Dalsell v. Crawford*, 1 Pars. Eq. 37.

<sup>2</sup> It is not meant to be here asserted that payment of the purchase-money is such a part performance as will take the case out of the Statute of Frauds; see *infra*, §§ 384, 385.

<sup>3</sup> Specific performance will not be decreed for a tenancy from year to year. *Clayton v. Illingworth*, 10 Hare. 451.

justly remarked that where such a contract is not objectionable legally, it is as much a matter of course for a court of equity to decree specific performance, as it is for a court of law to give damages.<sup>1</sup> This right, however, is controlled, in particular instances, by other equities presently to be noticed.

The vendor's right to the purchase-money when the vendee has been put in possession *before* conveyance, must not be confounded with his lien for purchase-money *after* conveyance. In one case, the legal estate remains in the vendor; in the other, he has merely a charge on it in the vendee's hands. This distinction has been sometimes overlooked, but is, nevertheless, obviously important.<sup>2</sup>

**865. May be enforced between original parties and those who claim under them.**

Contracts relating to realty may be enforced not only between the original parties, but also between any persons claiming under them in privity of estate, representation, or title, unless controlling equities have intervened.<sup>3</sup> The personal representatives of the deceased vendor may require a conveyance of the real estate to be made as against the heir of the vendor; and on the other hand, the heir of the vendee is entitled to have the personality of the estate applied to the purchase for his benefit.<sup>4</sup>

Where a contract has been entered into for the sale of prop-

<sup>1</sup> Pomeroy's Eq. § 1302; Richards v. Crews, 11 Oreg. 501; Conaway v. Sweeney, 24 W. Va. 643; Ballard v. Ballard, 25 Id. 763; Clark v. Gordon, 35 Id. 735; Borie v. Satterthwaite, 180 Pa. 542; Van Epps v. Redfield, 68 Conn. 46; Fowler v. Sands, 73 Vt. 236; Whitted v. Fuquay, 127 N. C. 68.

<sup>2</sup> See 1 Lead. Cas. Eq. 289 *et seq.* See, however, Hall v. Jones, 21 Md. 439.

<sup>3</sup> Hoddel v. Pugh, 33 Beav. 489; Baden v. Countess of Pembroke, 2 Vern. 212; Moore v. Crawford, 130 U. S. 133; Newton v. Swasey, 8 N. H. 9; Ewins v. Gordon, 49 Id. 444; Moore v. Burrows, 34 Barb. 173; Ambrouse v. Keller, 22 Gratt. 769; Glase v. Drayton, 1 Deas. 109; Dav-

enport v. Latimer, 53 S. C. 563; Hays v. Hall, 4 Port. 374; McMorris v. Crawford, 15 Ala. 271; Nesbit v. Moore, 9 B. Mon. 508; Spangler v. Danforth, 65 Ill. 152; Tiernan v. Roland, 15 Pa. 429; Lavery v. Moore, 33 N. Y. 658; Walker v. Kee, 16 S. C. 76; Chambers v. Ala. Iron Co., 67 Ala. 353; Craver v. Spencer, 40 Fla. 135; Fry on Spec. Perf. § 115; 1 Sug. V. & P. 292, 293 (8th Am. ed.).

<sup>4</sup> The subject of the performance of contracts of decedents concerning realty is regulated, in most of the United States, by statute. In some instances, however, it is necessary, notwithstanding statutory provisions, to resort to a Court of Chancery. See Wiley's Ex'r's Appeal, 84 Pa. 270.

erty, and that property is afterwards aliened or assigned, or contracted to be aliened or assigned, and the alienee or assignee has notice of the original contract, he is liable to its performance at the suit of the purchaser. If the contract is a binding one, it can be enforced against any party in whom is vested the legal and beneficial interest in the property.<sup>1</sup> On the other hand, if the purchaser assigns the contract, the assignee, upon payment of the purchase-money, can compel the vendor to complete the contract and convey the title to him.<sup>2</sup> But it would seem that it is the duty of the assignee of such a contract to intervene actively, to file a bill, and to claim the benefit of the contract in such a way that the court may have an opportunity of dealing with the rights of all the parties interested. Such was the decision in *McCreight v. Foster*,<sup>3</sup> where an owner of leaseholds (Foster) had contracted to sell them to one Pooley, who paid certain instalments, and afterwards assigned the benefit of the contract to a company. The company gave notice to Foster; but Foster subsequently closed the transaction with Pooley, receiving from him the balance of the purchase-money, and completing the assignment. Pooley afterwards conveyed to a *bona fide* purchaser without notice, and the official liquidators of the company then filed their bill against Foster, claiming that he was liable to make good the loss occasioned by his completion of his contract with Pooley, after he had received notice from the company. It was held by Lord Chancellor Hatherley, reversing the decision of Lord Romilly, M.R., that Foster was not liable. The ground of this decision was that the vendor is not to be considered as a complete trustee of the legal title until the whole purchase-money is paid; and that in the meantime no amount of notice can deprive him of his right to go on and enforce his bargain with the original purchaser.<sup>4</sup>

<sup>1</sup> *Daniels v. Davison*, 16 Ves. 249; 17 Id. 433; *Saunders v. Cramer*, 3 Dr. & W. 99; *Barnes v. Wood*, L. R. 8 Eq. 424; *Fenwick v. Bulman*, 9 Id. 165; *Fry on Spec. Perf.* § 135. See, also, *Champion v. Brown*, 6 Johns. Ch. 398; *Muldrow v. Muldrow*, 2 Dana, 386; *Hampson v. Edelen*, 2 Har. & Johns. 64; *Hoagland v. Latourette*, 2 N. J. Eq. 254; *Haughwout v. Murphy*, 22 Id. 547; *Langdon v. Woolfolk*, 2 B. Mon. 105; *Borie v.*

*Satterthwaite*, 180 Pa. 542; *Brown v. Griswold*, 109 Wis. 275; *Fee v. Sharke*, 59 N. J. Eq. 284; *Fowler v. Fowler*, 204 Ill. 82.

<sup>2</sup> *Champion v. Brown*, 6 Johns. Ch. 398; *Story's Eq.* § 788; 1 Sug. V. & P. 270 (8th Am. ed.). See *Allyn v. Allyn*, 154 Mass. 570.

<sup>3</sup> L. R. 5 Ch. 604.

<sup>4</sup> See the argument of Sir Roundell Palmer, L. R. 5 Ch. 609; and the opinion of the Chancellor, Id. 612.

### 366. May be enforced as to real estate outside of the jurisdiction.

It is no objection to a bill for specific performance that the real estate lies out of the jurisdiction of the court. If the parties are within the jurisdiction, relief can be given, for equity always acts *in personam*.<sup>1</sup> Thus, in *Massie v. Watts*, the Supreme Court of the United States sustained a bill filed in the Circuit Court of Kentucky, to compel a conveyance of land situated in Ohio; while in *Penn v. Lord Baltimore*, Lord Chancellor Hardwicke decreed the specific performance of articles of agreement between the complainant and the defendant, touching the boundaries between the colonies of Pennsylvania and Maryland.<sup>2</sup> This jurisdiction, however, has its limits; and a court will not compel a domestic corporation to go into another state, where it has no corporate existence, and specifically execute a contract in reference to property in the latter jurisdiction.<sup>3</sup>

### 367. Covenants for further assurance.

In addition to decreeing the performance of a contract to convey real estate, equity will also lend its aid to the specific enforcement of a covenant for further assurance; although, as a general rule, equity will not specifically enforce covenants for title except in bills *quia timet*, such as bills to remove a cloud from a title, and the like. The enforcement of a covenant for further assurance, however, would seem to rest very much upon the same grounds as the right to enforce the original agreement to convey; and, therefore, if the purchaser finds that other conveyances are necessary to render his title perfect, and the defect can be supplied by the vendor, he may come into a court of equity and compel the vendor to execute them.<sup>4</sup>

<sup>1</sup> *Massie v. Watts*, 6 Cranch, 148; *Brown v. Desmond*, 100 Mass. 267; *Cleveland v. Burrill*, 25 Barb. 532; *Burrell v. Root*, 40 N. Y. 496; *Mitchell v. Bunch*, 2 Paige Ch. 606; *Davis v. Parker*, 14 Allen, 94; *Bailey v. Ryder*, 10 N. Y. 363; *Newton v. Bronson*, 13 Id. 587; *Great Falls Mfg. Co. v. Worster*, 3 Foster, 462; *Stephenson v. Davis*, 56 Me. 73; *Davis v. Headley*, 22 N. J. Eq. 115; *Penn v. Lord Baltimore*, 1 Ves. Sr. 444; 2 Lead. Cas. Eq. 767; *ante*, § 47; Fry

on Spec. Perf. § 60; 1 Sug. V. & P. 305 (8th Am. ed.); *Potter v. Hollister*, 45 N. J. Eq. 508; *White Star Mining Co. v. Hultberg*, 220 Ill. 578.

<sup>2</sup> *Massie v. Watts*, 6 Cranch, 148; *Penn v. Lord Baltimore*, 1 Ves. Sr. 444.

<sup>3</sup> *Port Royal Railroad Co. v. Hammond*, 58 Ga. 523; *ante*, § 47 (note).

<sup>4</sup> See *Pye v. Daubuz*, 3 Bro. C. C. 595; *Edwards v. Appelbee*, 2 Id. 652, n.; *Smith v. Baker*, 1 Y. & C. Ch. 223; *Gibson v. Goldsmid*, 5 De G., M.

### 368. Personal property.

In regard to personalty it may be stated, as a general rule, that equity will not decree specific performance of contracts relating to this species of property, for the reason that compensation by way of damage is ordinarily sufficient; although it has been held that the mere circumstance that the bill seeks performance of a contract which relates to personalty, does not render it demurrable.<sup>1</sup> It is obvious, however, that sometimes the detention of personal property cannot be adequately redressed by damages, and in such cases the jurisdiction of equity attaches.<sup>2</sup> Accordingly, contracts for the sale of shares in a particular company<sup>3</sup> (though not ordinarily, for the sale of

& G. 757 (a case of shares in a gas company); *Nelson v. Harwood*, 3 Call, 342; *Davis v. Tollemache*, 2 Jur. (N. s.) 1181; *Fields v. Squires*, 1 Deady, 366; *Rawle on Covenants for Title*, 656 *et seq.*; 2 Sug. V. & P. 294 (8th Am. ed.).

<sup>1</sup> *Carpenter v. Mut. Safety Ins. Co.*, 4 Sand. Ch. 408; *Hebert v. Mut. Life Ins. Co.*, 8 Sawyer C. Ct. 198; *Mechanics' Bank v. Seton*, 1 Pet. 299; *Phillips v. Berger*, 2 Barb. 608; *McGarvey v. Hall*, 23 Cal. 140; *Jones v. Mackenzie*, 58 C. C. A. 96 (citing the text); *Hendry v. Whidden*, 48 Fla. 268.

It may be said that equity will not ordinarily grant relief for the specific delivery of chattels, because it is generally considered that the plaintiff has a plain, speedy and adequate remedy at law for damages for withholding them. The interposition of equity is not withheld except upon this particular ground, as its jurisdiction is as ample to decree the specific performance of an agreement relative to personalty as it is one relative to realty. *Livesley v. Johnston*, 45 Oreg. 30.

The jurisdiction of a court of equity to compel the specific performance of written contracts does not rest upon any distinction between real

and personal estate, but upon the ground that damages at law may not in a particular case afford a complete remedy, and that whether or not this equitable remedy will be granted is a matter of sound judicial discretion controlled by established principles of equity and exercised upon a consideration of all the circumstances of the case. *Telegraphphone Corporation v. Telegraphphone Company*, 103 Maine, 444.

<sup>2</sup> *O'Donnell v. Chamberlin*, 36 Colo. 395.

<sup>3</sup> *Duneuft v. Albrecht*, 12 Sim. 189; *Columbine v. Chichester*, 2 Ph. 27; *Poole v. Middleton*, 7 Jur. (N. s.) 1262; *Shaw v. Fisher*, 2 De G. & Sm. 11; *Wynne v. Price*, 3 Id. 310; *Sherman v. Herr*, 220 Pa. 420; *Eichbaum v. Sample*, 213 Id. 216; *Edelman v. Latschaw*, 159 Id. 646; *Rumsey v. N. Y. and Pa. R. R. Co.*, 203 Id. 579; *Ferguson v. Paschall*, 11 Mo. 267; *Brown v. Gilliland*, 3 Dess. 539; *Todd v. Taft*, 7 Allen, 371; *White v. Schuyler*, 1 Abb. (N. Y.) Pr. R. (N. s.) 300; *Treas. v. Commercial Co.*, 23 Cal. 390; *Fleishman v. Woods*, 135 Id. 256; *Frue v. Houghton*, 6 Colo. 318; *Ashe v. Johnson*, 2 Jon. Eq. 149; *Bumgardner v. Leavitt*, 35 W. Va. 194. A bill for specific performance will be entertained when

stock);<sup>1</sup> for the sale of a life annuity;<sup>2</sup> or for the delivery of chattels which can be supplied by the vendor alone, as ship timber of a particular kind essential to complete a ship; may all be specifically enforced.<sup>3</sup> The relief in cases of personalty has also been frequently applied where articles of peculiar value have been tortiously withheld. Such is the case of the famous Pusey Horn, which had from time immemorial gone along with the plaintiff's estate, and whereby the said estate was held;<sup>4</sup> of the altar piece, to which the Duke of Somerset had become entitled as treasure trove;<sup>5</sup> and in more modern times, of the instruments, maps, and plans of a surveyor, withheld from him by his clerk;<sup>6</sup> of title papers to a foreign estate;<sup>7</sup> or title papers, generally, in some cases,<sup>8</sup> of a package of bank-notes impressed with a trust;<sup>9</sup> of letters wrongfully detained,<sup>10</sup> of the evidences of *choses in action* wrongfully detained from the party legally entitled to their custody;<sup>11</sup> wampum belts which perpetuated the history of Indian races;<sup>12</sup> battle flags;<sup>13</sup> and books of historical value.<sup>14</sup>

its object is to obtain the delivery of certificates of stock which confer the legal title to it. *Doloret v. Rothschild*, 1 Sim. & Stu. 590; *Pooley v. Budd*, 14 Beav. 34; *Dennison v. Keasby*, 200 Mo. 408.

<sup>1</sup> *Ross v. Union Pac. R. Co.*, 1 Woolw. 26; *Fallon v. Railroad*, 1 Dill. 121; *Cud v. Ratter*, 1 P. Wms. 570; *Foll's Appeal*, 91 Pa. 437; *Rigg v. Railway Co.*, 191 Id. 304; *Moulton v. Warren Mfg. Co.*, 81 Minn. 259; 1 Lead. Cas. Eq. 1096 (4th Am. ed.); *Avery v. Ryan*, 74 Wis. 591. The distinction (in England) is between public stock (governments) and shares in private corporations. In this country shares of companies, when they can be readily obtained, and when they have a market value which can be as certainly ascertained as that of government securities, are put upon the same footing as public stocks. *Ross v. U. P. R. Co.*, *supra*; and *Ashe v. Johnson*, *supra*, note 2.

<sup>2</sup> *Withy v. Cottle*, 1 Sim. & Stu. 174.

<sup>3</sup> *Buxton v. Lister*, 3 Atk. 383;

*Fry on Spec. Perf.* § 33; *Strauss v. Berger*, 220 Pa. 367; *St. Regis Paper Co. v. S. C. Lumber Co.*, 186 N. Y. 89; *Ridenbaugh v. Thayer*, 10 Idaho, 662.

<sup>4</sup> *Pusey v. Pusey*, 1 Vern. 273; 1 Lead. Cas. Eq. 820.

<sup>5</sup> *Duke of Somerset v. Cookson*, 3 P. Wms. 389; 1 Lead. Cas. Eq. 821.

<sup>6</sup> *McGowin v. Remington*, 12 Pa. 58; *Beasley v. Allyn*, 15 Phila. 97; *Falcke v. Gray*, 4 Drew. 651. See *Paris v. Greig*, 12 Hawaii, 274.

<sup>7</sup> *Pattison v. Skillman*, 34 N. J. Eq. 344.

<sup>8</sup> *Kelly v. Lehigh Co.*, 98 Va. 405.

<sup>9</sup> *Corn Exch. Nat. Bk. v. The Solicitors' Co.*, 188 Pa. 330-335.

<sup>10</sup> *Doek v. Doek*, 180 Pa. 14.

<sup>11</sup> *Gough v. Crane*, 3 Md. Ch. 119; *Equitable Trust Co. v. Garia*, 190 Pa. 549; *Schrafft v. Wolters*, 61 N. J. Eq. 467.

<sup>12</sup> *Onandaga Nation v. Thacher*, 60 N. Y. Supp. 1027; *aff'd* in 65 N. Y. Supp. 1014.

<sup>13</sup> *Orbin v. Stevens*, 13 Pa. Sup. 591.

<sup>14</sup> *Battalion Westery Rifles v. Swan*, 22 R. I. 333.



Bills were, also, not unfrequently entertained in the Southern states for the specific delivery of domestic slaves.<sup>1</sup>

It may also be mentioned, in this connection, that where the contract or duty concerning personal property amounts to a trust, the performance of such a duty will be specifically enforced, no matter what the nature of the particular property may be.<sup>2</sup> It was, therefore, held in the case of the Pennsylvania Company for Insurances on Lives and Granting Annuities *v.* The Franklin Fire Insurance Company, that a corporation could be compelled to issue stock to a stockholder whose shares had been transferred by the company's officers on a forged letter of attorney, in place of the shares of which the transfer had been thus negligently permitted, or to make good the pecuniary loss thus sustained; and this on the ground that the corporation occupied as to its shareholders a fiduciary relation which involved the duty of preserving the muniments of title to the stock.<sup>3</sup>

### 369. When damages cannot be ascertained.

Courts of equity may also enforce specific performance of contracts of personalty where the damages in money cannot be ascertained. An instance in this rule may be found in the case of *Adderley v. Dixon*, where the contract was for the sale of debts proved under two commissions of bankruptcy, and specific performance was granted on the ground that to compel the plaintiff to accept damages would be in effect to make him sell the dividends, which were of unascertained value, at a conjectural price.<sup>4</sup>

<sup>1</sup> *Sarter v. Gordon*, 2 Hill Ch. 121; *Young v. Burton*, 1 McM. Eq. 258; *Summers v. Bean*, 13 Gratt. 404; *Fry on Spec. Perf.* 55 (2d Am. ed.), note; note to *Cuddee v. Rutter*, 1 Lead. Cas. Eq. 786.

<sup>2</sup> *Cowles v. Whitman*, 10 Conn. 121; *Johnson v. Brooks*, 93 N. Y. 337; *Goodwin Co.'s Appeal*, 117 Pa. 536; *Rumsey v. N. Y. & Pa. R. R. Co.*, 203 Id. 579. One who has agreed to assign his insurance cannot compromise his claim with the company. *Allyn v. Allyn*, 154 Mass. 570.

<sup>3</sup> 181 Pa. 40. See, also, *Midland Railway Co. v. Taylor*, 8 H. L. Cas. 751; *Johnston v. Renton*, L. R. 9 Eq.

181; *Barton v. Ry. Co.*, 38 Ch. D. 458; *Tel. Co. v. Davenport*, 97 U. S. 369; *St. Rome v. Cotton Press Co.*, 127 Id. 614; *Penna. R. R. Co.'s Appeal*, 86 Pa. 80; *Pratt v. Taunton Copper Co.*, 123 Mass. 110; *Chicago Edison Co. v. Fay*, 62 Ill. App. 55; *Cushman v. Thayer Mfg. Co.*, 76 N. Y. 365; *Equitable Trust Co. v. Garia*, 44 W. N. C. 41-43; *Steinmeyer v. Seibert*, 190 Pa. 475; *Real Est. Tr. Co. v. Bird*, 90 Md. 229; *Durfee v. Harper*, 22 Mont. 354; *Wilkinson v. Stitt*, 175 Mass. 581, and *Soherck v. Montgomery*, 81 Miss. 426.

<sup>4</sup> *Adderley v. Dixon*, 1 Sim. & Stu. 607. See, also, *Sullivan v. Tuck*, 1

### 370. Other contracts.

Other contracts besides those of sale may be decreed to be specifically performed. Thus performance has been decreed in the case of agreements to insure (and this, too, even after a loss);<sup>1</sup> to receive certain goods in payment of a debt;<sup>2</sup> to divide chattels which formed the assets of a firm among the partners;<sup>3</sup> to compromise a suit;<sup>4</sup> to build;<sup>5</sup> to plant trees furnished by the plaintiff under a promise that the defendant would set them out on his farm, send them to market, and render an account of the profits;<sup>6</sup> to sell trees;<sup>7</sup> to pay in coin;<sup>8</sup> to give a promissory note in place of one which was destroyed;<sup>9</sup> to assign a patent;<sup>10</sup> to renew a license;<sup>11</sup> to give property by last will<sup>12</sup> or to settle a

Md. Ch. 59; *Waters v. Howard*, Id. 112; *Finley v. Aiken*, 1 Gr. Cas. 83.

<sup>1</sup> *Taylor v. Merchants' Ins. Co.*, 9 How. 390; *The Comrl. Mut. Mar. Ins. Co. v. The Un. Mut. Ins. Co.*, 19 How. 318; *Carpenter v. Mutual Safety Ins. Co.*, 4 Sandf. Ch. 408; *Allyn v. Allyn*, 154 Mass. 570; *Lyman v. Gedney*, 114 Ill. 388; *Levy v. Abercorris Co.*, 37 Ch. D. 260.

<sup>2</sup> *Very v. Levy*, 13 How. 346.

<sup>3</sup> *Kirksey v. Fike*, 27 Ala. 383.

<sup>4</sup> *Dawson v. Newsome*, 6 Jur. (n. s.) 625; *Chandler v. Pomeroy*, 143 U. S. 318.

<sup>5</sup> *Storer v. Great West. R. Co.*, 2 Y. & C. 48; *Stuyvesant v. The Mayor*, 11 Paige Ch. 414. But see *Kendall v. Frey*, 74 Wis. 26, and *Madison Athletic Ass'n v. Brittin*, 80 N. J. Eq. 160.

<sup>6</sup> *McKnight v. Robbins*, 1 Halst. Ch. 229; *Hannah v. Wahlberg*, 128 Cal. 407.

<sup>7</sup> *Stuart v. Pennis*, 91 Va. 688.

<sup>8</sup> *Hall v. Hiles*, 2 Bush, 532.

<sup>9</sup> *McMullen v. Vansant*, 71 Ill. 190.

<sup>10</sup> *Binney v. Annan*, 107 Mass. 94; *Satterthwait v. Marshall*, 4 Del. Ch. 337; *Runstetter v. Atkinson*, 4 McArth. 382; *Hepworth v. Henshall*, 153 Pa. 592; *Spears v. Willis*, 151 N. Y. 443; *Birkery Mfg. Co. v. Jones*, 71 Conn. 113; *Valley Iron Works Co. v. Goodrick*, 103 Wis. 436; *Har-*

*rigan v. Smith*, 57 N. J. Eq. 635; *Gins v. Coffinberry*, 39 Oreg. 414. But such a contract will not be enforced specifically when damages will furnish an adequate compensation. *Anderson v. Olsen*, 188 Ill. 502.

<sup>11</sup> *Domestic Tel. & Telph. Co. v. Metropolitan Co.*, 39 N. J. Eq. 160.

<sup>12</sup> *Winne v. Winne*, 166 N. Y. 263; *Bruce v. Moon*, 57 S. C. 60; *Burdine v. Burdine*, 98 Va. 515; *Burns v. Smith*, 21 Mont. 251; *McKee v. Higbee*, 180 Mo. 263; *Grantham v. Gossett*, 182 Mo. 651; *Best v. Gralapp*, 69 Neb. 811. *Anderson v. Anderson*, 75 Kan. 117; *Winfield v. Bowen*, 65 N. J. Eq. 636; *Spencer v. Spencer*, 25 R. I. 239. The agreement need not be in express terms to make a will; a promise that the promisee shall receive the property or that it shall be left him at the death of the promisor, is sufficient. *Teske v. Dittberner*, 70 Neb. 544. An antenuptial contract entered into by a father with his son and other interested parties by which the father agrees to make no distinction between his children in the distribution of his estate by will. *Phalen v. Trust Co.*, 186 N. Y. 178. An instrument by which in consideration of the surrender to them of a child, parties accept the duties of parents

chancery suit.<sup>1</sup> In short, an agreement will be enforced specifically in a court of equity where the specific thing or act contracted for, and not mere pecuniary compensation, is the redress practically required;<sup>2</sup> and in such cases, subject to the limitations which are to be stated, it may be said (as has been already observed) that it is as much a matter of course for a Court of Chancery to decree specific performance of a contract as it is for a court of law to give damages for its breach.<sup>3</sup>

to the child and agree that it shall have all the rights of inheritance, may be specifically enforced as a contract so as to secure to the child its interest in the estate of the adopting parties, although invalid as an instrument of adoption because not acknowledged and recorded as required by law. *Chehak v. Battles*, 133 Ia. 107. Contracts claimed to be entered into with persons, to be enforced after their deaths, to the detriment of those who would be entitled to their estates, have become so frequent in recent years as to cause alarm, and the courts have grown conservative as to the nature of the evidence required to establish them; and in enforcing them, when established, by specific performance, such contracts are easily fabricated and hard to disprove, because the sole contracting party on one side is always dead when the question arises. They are the natural resort of unscrupulous persons who wish to despoil the estates of decedents. They threaten the security of estates and throw doubt upon the power of the

man to do what he wills with his own. The savings of a lifetime may be taken away from his heirs by the testimony of witnesses who speak under the strongest bias and the greatest temptation, with all the dangers which, as experience shows, surround such evidence. The truth may be in them, but it is against sound policy to accept their statements as true, under the circumstances and with the results pointed out. Such contracts should be in writing, and the writing should be produced, or, if ever based upon parol evidence, it should be given or corroborated in all substantial particulars by disinterested witnesses. Unless they are established clearly by satisfactory proofs, and are equitable, specific performance should not be decreed. *Hamlin v. Stevens*, 177 N. Y. 39; *Ide v. Brown*, 178 N. Y. 26; *Jordan v. Abney*, 97 Tex. 296.

<sup>1</sup> *Burton v. Landon*, 66 Vt. 361.

<sup>2</sup> *Ralston v. Ihmsen*, Appellant, 204 Pa. 592 (quoting the text); and *Steinmeyer v. Siebert*, 190 Id. 475. It may be added, here, that the insertion of a penalty for non-compli-

<sup>3</sup> *Hopper v. Hopper*, 16 N. J. Eq. 147; *Rogers v. Saunders*, 16 Me. 92; *Chance v. Beall*, 20 Ga. 143; *Johnson v. Rickett*, 5 Cal. 218; *St. Paul Division v. Brown*, 9 Minn. 157; *Love v. Watkins*, 40 Cal. 547; *North Georgia Mining Co. v. Latimer*, 51 Ga. 47; *Gloucester, etc., Co. v. Cement Co.*, 154 Mass. 92; *ante*, § 364.

A contract, whereby one of the parties thereto obligates himself to secure a deed by a mortgage, cannot be specifically enforced in a court of equity without the allegations and proof of some fact showing the case to be one of equitable cognizance, or that the remedy at law is inadequate; and this is true

Courts of equity also have jurisdiction to enforce the specific performance of awards, the jurisdiction being assumed on the ground that such performance is an execution of the agreement of parties as fixed by the arbitrators. Hence a chancellor will decree a specific performance of an award, following a proper submission, by which the conveyance of real estate, or the doing of anything else *in specie*, is provided for, in the same way as of a contract in the same form and effect. This is the rule laid down by the English authorities,<sup>1</sup> and it has been followed by American decisions.<sup>2</sup>

### 371. Specific performance rests in discretion of the court.

While, as we have just seen, equity will grant specific performance in all cases where the dispensation of exact justice would seem to require it; yet, on the other hand, it has been found necessary to circumscribe the exercise of this delicate and effective power by certain limitations. Specific performance is usually said to rest in the "discretion" of the chancellor.<sup>3</sup> This discre-

ance with a contract as "liquidated damages" will not deprive a party of his right to specific performance. *Hull v. Sturdivant*, 46 Me. 34; *Powell v. Dwyer*, 149 Mich. 141; *Hooker v. Pynchon*, 8 Gray, 550; *Moorer v. Kopmann*, 11 Rich. Eq. 252; *Chamberlain v. Blue*, 6 Blackf. (Ind.) 491; *Daily v. Litchfield*, 10 Mich. 38; *Brown v. Norcross*, 59 N. J. Eq. 427; *Avon, etc., Imp. Co. v. Thompson*, 60 Id. 207; *The Amanda G. M. Co. v. People's M. Co.*, 28 Colo. 251; *Kettering v. Eastlack*, 130 Ia. 498. See *Dowling v. Betjemann*, 2 Johns. & H. 544; *Gillis v. Hall*, 2 Brewst. (Pa.) 342; *Barrett v. Geisinger*, 179 Ill. 240; *ante*, § 179.

<sup>1</sup> *Blundell v. Brettargh*, 17 Ves. 211; *Story's Eq. Jur.* § 1458.

<sup>2</sup> *McNeil v. Magee*, 5 Mason, 244; *Jones v. Boston Mill Corp.*, 4 Pick. 507; *Wood v. Shepherd*, 2 Pat. & H.

442; *Whitney v. Stone*, 23 Cal. 275; *Story v. Norwich Rd.*, 24 Conn. 94; *Consolidated Water Power Co. v. Nash*, 109 Wis. 490; note to *Cuddee v. Rutter*, 1 Lead. Cas. Eq. 1105 (4th Am. ed.).

<sup>3</sup> *Joynes v. Statham*, 3 Atk. 388; *Seymour v. Delancey*, 6 Johns. R. 222; *Blackwilder v. Loveless*, 21 Ala. 371; *Waters v. Howard*, 8 Gill, 262; *Auter v. Miller*, 18 Ia. 405; *Smoot v. Rea*, 19 Md. 398; *Tobey v. Bristol*, 3 Story, 800; *Pickering v. Pickering*, 38 N. H. 400; *Willard v. Tayloe*, 8 Wall. 557; *Hennessy v. Woolworth*, 128 U. S. 442; *Oil Creek Rd. v. Atlantic & G. W. R. Co.*, 57 Pa. 65; *St. John v. Benedict*, 6 Johns. 111; *Sherman v. Wright*, 49 N. Y. 231; *Quinn v. Roath*, 37 Conn. 16; *McComas v. Easley*, 21 Gratt. 23; *Diamond State Iron Co. v. Todd*, 6 Del. Ch. 163; *Cox v. Middleton*, 2 Drew. 209; *Renny-*

although the property that was claimed to be included in the mortgage was both personal property

and real estate. *Brown v. Van Winkle*, 141 Ala. 589.

tion, however, is a *judicial* discretion. It is not a mere arbitrary will, but is subject to certain definite and well-ascertained rules, within which its play is confined.<sup>1</sup> "I have unlimited power," said Sir George Jessel, M. R., referring to the analogous case of Injunctions, "to grant an injunction where it would be right or just to do so; and what is right or just must be decided, not by the caprice of the judge, but according to sufficient legal principles."<sup>2</sup> What are the rules according to which these legal reasons are enforced and by which these legal principles are applied, must now be noticed.<sup>3</sup>

### 372. Contract must be founded on a valuable consideration.

And, in the first place, it is a fundamental principle that the extraordinary remedy of specific performance will not be administered save upon an application which is based on a valuable consideration.<sup>4</sup> The reason of this is obvious. The general ground for the relief is the inadequacy of damages. There can, of course, be no legal injury sustained, and, therefore, no question of adequacy or inadequacy of damages in cases where no valuable consideration exists, and no pecuniary loss has consequently been suffered. Equity will not, therefore, interfere to enforce the specific performance of a *gift*.<sup>5</sup> If, indeed (it must always be remembered), the gift has assumed such a definite and complete shape that it is entitled to be considered a trust, the performance of this trust will be enforced. But this is on en-

son v. Rozell, 106 Pa. 407; Reno v. Moss, 120 Id. 68; Friend v. Lamb, 152 Id. 535; Creecy v. Grief, 108 Va. 320; Pendleton v. Dalton, 92 N. C. 185; Miles v. Dover Iron Co., 125 N. Y. 294; Sugar v. Froehlich, 229 Ill. 397; Jones v. Byrne, 149 Fed. Rep. 457.

<sup>1</sup> Henderson v. Hays, 2 Watts, 148; King v. Morford, Sax. (N. J.) 274; Griffith v. Bank, 6 G. & J. 424; Leigh v. Crump, 1 Ired. Eq. 299; South and North Ala. R. R. Co. v. Highland Ave., etc., R. R. Co., 119 Ala. 105; Mulligan v. Albertz, 103 Wis. 140; Marshall v. Keach, 227 Ill. 35; Bauer v. Lumaghi Coal Co., 209 Ill. 316; Tillery v. Land, 136 N. C. 549.

<sup>2</sup> Beddon v. Beddon, 9 Ch. D. 89.

<sup>3</sup> See Hissam v. Parrish, 41 W. Va. 686.

<sup>4</sup> Lear v. Chouteau, 23 Ill. 39; Barrett v. Geisinger, 179 Id. 240; Smith v. Phillips, 77 Va. 548; Roney v. Moss, 74 Ala. 390. Except that, where a voluntary agreement has been actually executed, equity will enforce all rights growing out of it. Wyche v. Greene, 16 Ga. 49; Read v. Long, 4 Yerg. 68; Swan Oil Co. v. Linder, 123 Ga. 550; Cone v. Cone, 118 Ia. 458.

<sup>5</sup> Shepherd v. Shepherd, 1 Md. Ch. 244; Holland v. Hensley, 4 Ia. 222; Buford v. McKee, 1 Dana (Ky.), 107; Studer v. Seyer, 67 Ga. 125; Strayer v. Dickerson, 205 Ill. 257; *In re Earl of Lucan*, 45 Ch. D. 470.

tirely different grounds; and the distinction between the two cases is clearly and thoroughly established. If A. makes a gift unaccompanied by delivery, it is simply an incomplete gift, and cannot be enforced against the will of the donor. But if A. constitutes himself trustee of a chattel for the benefit of B., B. certainly can enforce the trust, and this in opposition to A. In other words, equity will not make a man a trustee for the benefit of a mere volunteer; but if the man constitutes himself a trustee, equity will enforce the trust.<sup>1</sup>

### 373. Meritorious considerations.

It is essential to specific performance that the consideration should be *valuable*; a merely *good* consideration, such as natural love and affection, or the performance of a moral duty, will not be sufficient.<sup>2</sup>

Moreover, it is necessary that the consideration shall be *actual*. A constructive consideration, such as that imparted by the seal to a bond, will not do.<sup>3</sup>

But it is not necessary that the consideration should involve a benefit moving to the promisor; it is enough that there be a detriment to the promisee. Therefore, although the transaction be in form a mere promise to give, yet if the donee be thereby induced to expend money or undergo any other detriment, a consideration will be introduced which may be sufficient to support a bill for specific performance.<sup>4</sup>

### 374. Adequacy.

In some cases the adequacy of the consideration has been inquired into. It has been seen in a former chapter that mere inadequacy of consideration is not sufficient, as a general rule,

<sup>1</sup> *Ante*, § 67 and cases cited. See, in this connection, *Halsey v. Peters*, 79 Va. 60.

<sup>2</sup> *Jefferys v. Jefferys*, Cr. & P. 138; *Moore v. Crofton*, 3 Jones & Lat. 442; *Kennedy v. Ware*, 1 Pa. 445; *Lennig's Estate*, 182 Id. 498; *Morris v. Lewis*, 33 Ala. 53; *Keffer v. Grayson*, 76 Va. 517; *Barrett v. Geisinger*, 179 Ill. 240. See, however, *Taylor v. James*, 4 Dess. 5; *McIntire v. Hughes*, 4 Bibb, 186; *Caldwell v. Williams*, 1 Bailey Eq. 175; *Hayes v. Ker-*

*show*, 1 Sandf. Ch. 261. See *ante*, § 69.

<sup>3</sup> *Lennig's Estate*, 182 Pa. 498; *Davis v. Petty*, 147 Mo. 374; *Oil Co. v. Oil Co.*, 47 W. Va. 84; *Adams's Doct. Eq.* 78. It has been held that a *promise* is not a valuable consideration within the purview of this doctrine. *Winter v. Goebner*, 21 Colo. 279.

<sup>4</sup> *Burris v. Landers*, 114 Cal. 310; *Darke v. Smith*, 14 Utah, 35; *Crim v. England et al.*, 46 W. Va. 480; *Bige-*

to set a transaction aside;<sup>1</sup> and the same rule is also true in cases where specific performance is asked for; and relief will not usually be refused on that ground alone.<sup>2</sup> But cases may occur in which the court will exercise its discretion, and will refuse to lend the aid of the chancellor to the enforcement *in specie* of a hard and unreasonable bargain.<sup>3</sup>

### 875. Performance in specie must be necessary.

In the second place, a party seeking specific performance must not only be a claimant for value, but he must also show that damages would not afford an adequate compensation. Hence, if a money payment will constitute a sufficient redress, a chancellor will not interfere.<sup>4</sup> This is the reason for the difference be-

low *v.* Bigelow, 93 Me. 439; Schwindt *v.* Schwindt, 61 Kan. 377.

<sup>1</sup> *Ante*, § 219.

<sup>2</sup> *Lee v. Kirby*, 104 Mass. 420; *Erwin v. Parham*, 12 How. 197; *Hale v. Wilkinson*, 21 Gratt. 75; 1 Sug. V. & P. 421 (8th Am. ed.); *Borell v. Dann*, 2 Hare, 440; *Rice v. Gibbs*, 33 Neb. 460; *O'Brien v. Boland*, 166 Mass. 481; *Whitted v. Fuquay*, 127 N. C. 68; *Norris v. Clark*, 72 N. H. 442. This is particularly true of speculative purchases, *e. g.*, of mines. *Haywood v. Cope*, 25 Beav. 140; *Bradley v. Heyward*, 164 Fed. Rep. 107. Montana Civil Code, § 4417, provides that specific performance will not be enforced against a person unless he has received an "adequate" consideration for the contract. *Traphagen v. Kirk*, 30 Mont. 562.

<sup>3</sup> *Osgood v. Franklin*, 2 Johns. Ch. 23; 14 Johns. 527; *Howard v. Edgell*, 17 Vt. 9; *Shepherd v. Bevin*, 9 Gill, 32; *Harrison v. Town*, 17 Mo. 237; *Moon v. Crowder*, 72 Ala. 79; *Powers v. Hale*, 5 Foster, 145; *Barrett v. Geisinger*, 179 Ill. 240; *Kelley v. York*, 94 Me. 374; *Bear Track Min. Co. v. Clark*, 6 Idaho, 196; *Falcke v. Gray*, 4 Drew. 651; *Rigg v. Railway Co.*, 191 Pa. 304; *Marks v. Gates*, 154 Fed. Rep. 481. See, also, *Wil-*

*lard v. Tayloe*, 8 Wall. 557, stated *ante*, § 43. Some curious cases upon the subject of adequacy of consideration have arisen in the southern states, under contracts made during the war of 1861-65, for the purchase of real estate in Confederate currency, and which have been sought to be enforced after the termination of the war, when the Confederate money had become worthless. It was held that as the consideration was adequate at the time of the contract, the court would decree specific performance. *Hale v. Wilkinson*, 21 Gratt. 75; *Ambrouse v. Keller*, 22 Id. 769; *Talley v. Robinson*, Id. 888. These decisions were properly based upon the ruling of the Supreme Court of the United States in *Thorington v. Smith*, 8 Wall, 1, and *Delmas v. Insurance Co.*, 14 Id. 465, that the notes of the Confederacy actually circulating as money at the time the contract was entered into constitute a valid consideration for such contract.

<sup>4</sup> *Johnson v. Railroad Co.*, 19 Eng. L. and Eq. 584; *Richmond v. Railroad Co.*, 33 Ia. 439; *Phyfe v. Wardell*, 2 Edw. Ch. 47; *Penna. Co. v. Delaware, etc., Co.*, 31 N. Y. 91; *South & North Ala. R. R. Co. v.*

tween the rule in regard to specific performance of contracts relating to realty, and those concerning personality.<sup>1</sup> For the distinction is not founded upon the nature of the property, but upon the fact that in one case damages in money would not operate to give a party the full measure of redress which he ought to have; whereas in most cases of personality, to give a man a money equivalent, is as good as giving him the thing itself.<sup>2</sup> For the same reason in some exceptional cases, specific performance will, as we have seen, be decreed as to personality; because in such cases the redress by damages would be inadequate.

### 376. Must be in accordance with general equitable doctrines.

In the third place, it must be remembered that the jurisdiction to enforce specific performance is always exercised subject to general equitable considerations, and will not be applied to cases where the complainant does not come in with clean hands, or where equities exist on the other side which would render it unjust to grant the relief.<sup>3</sup> Thus, if the complainant has been guilty of negligence and *laches*,<sup>4</sup> especially where the contract

Highland Av. and Belt. R. R. Co., 119 Ala. 105; Canal Commrs. v. Sanitary Dist., 191 Ill. 326.

<sup>1</sup> See Hall v. Warren, 9 Ves. 605; Harnett v. Yielding, 2 Sch. & Lef. 553; Finley v. Aiken, 1 Gr. Cas. 83; notes to Cuddee v. Rutter, 1 Lead. Cas. Eq. 746 (3d Am. ed.).

<sup>2</sup> See remarks of Sir J. Leach, V. C., in Adderley v. Dixon, 1 Sim. & Stu. 607.

<sup>3</sup> See McDavit v. Pierrepont, 23 N. J. Eq. 45, 46; Pinner v. Sharp, Id. 274; Canterbury Aqueduct Co. v. Ensworth, 22 Conn. 608; Hetfield v. Willey, 105 Ill. 286; Backus's Appeal, 58 Pa. 186; Rennyson v. Rozell, 106 Id. 407; Darling v. Cummings, 92 Va. 521; Bates Machine Co. v. Bates, 192 Ill. 138; Thistle Mills Co. v. Bone, 92 Md. 47; Canal Commrs. v. Sanitary District, 191 Ill. 326; Madison Athletic Ass'n v. Brittin, 60 N. J. Eq. 160; Gary v. Newton, 201 Ill. 170; Urpman v. Lowther Oil Co., 53 W.

Va. 501; Sutton v. Miller, 219 Ill. 462; Chandler v. Chandler, 220 Pa. 311; Rudisill v. Whitener, 146 N. C. 403. See Turner v. Green [1895], 2 Ch. 205, where it was held that mere silence as to a material fact, which one party is not bound to disclose to the other, will not prevent a decree for specific performance.

<sup>4</sup> Davison v. Davis, 125 U. S. 94; Cadwalader's Appeal, 57 Pa. 158; Whitaker v. Robinson, 65 Ill. 411; Smith v. Sheldon, Id. 219; Hallesy v. Jackson, 66 Id. 139; McCabe v. Crosier, 69 Id. 501; McLaurie v. Barnes, 72 Id. 73; Dragoo v. Dragoo, 50 Mich. 573; Meidling v. Trefs, 48 N. J. Eq. 638; Jencks v. Kearney, 62 Hun, 621; Chabot v. Winter Park Co., 34 Fla. 258; Davis v. Petty, 147 Mo. 374; Findley v. Koch, 126 Ia. 131; Mahon v. Leech, 11 N. D. 181. But see Watson v. Coast, 35 W. Va. 463. But not where the default has been simply in collateral contract. Stew-



is of a speculative nature;<sup>1</sup> or has shown a backwardness in fulfilling the contract on his part;<sup>2</sup> or insists upon the bar of the Statute of Limitations;<sup>3</sup> or where the contract is hard and destitute of all equity;<sup>4</sup> or is oppressive on the defendant;<sup>5</sup> especially if made by a married woman;<sup>6</sup> or which is illegal, immoral, or against public policy;<sup>7</sup> or the condition of things has materially changed;<sup>8</sup> unless such change was in contemplation at the time the contract was entered into;<sup>9</sup> or there is a substantial defect in the complainant's title not remediable before decree; or the title of the complainant is doubtful or one that would involve the defendant in litigation; or there has been any misrepresenta-

art *v. Metcalf*, 68 Ill. 109; or where the defendant, on his part, has not shown himself willing to perform; *Tate v. Pen., etc., Co.*, 37 Fla. 439.

<sup>1</sup> *McCabe v. Matthews*, 155 U. S. 550.

<sup>2</sup> *Rose v. Swann*, 56 Ill. 40; *Iglehart v. Gibson*, Id. 81; *Cronk v. Trumble*, 66 Id. 428; *Hoyt v. Tuxbury*, 70 Id. 331; *Miller v. Henlan*, 51 Pa. 265; *Rogers v. Williams*, 28 Leg. Int. 341; *Kinney v. Redden*, 2 Del. Ch. 46; *Hubbell v. Von Schoening*, 49 N. Y. 326; *Finch v. Parker*, Id. 1; *Babcock v. Emrick*, 64 How. Pr. R. 435; *Crane v. Decamp*, 21 N. J. Eq. 420; *Gish v. Jamison*, 96 Va. 312; *Steinhardt v. Baker*, 163 N. Y. 410; *Holgate v. Eaton*, 116 U. S. 33; *Kelsey v. Crowther*, 162 U. S. 404; *Ewing's Appeal*, 18 W. N. C. 29; *Robbins v. Kimball*, 55 Ark. 414; *Stembridge v. Morgan*, 88 Ga. 447; *Alexander's Appeal*, 118 Pa. 610; *Dats v. Phillips*, 137 Id. 203.

<sup>3</sup> *Nolan v. Snodgrass*, 70 Miss. 794.

<sup>4</sup> *King v. Hamilton*, 5 Pet. 211; *Western Railroad v. Babcock*, 6 Met. 346; *Backus's Appeal*, 59 Pa. 186; *Rigg v. Railway Co.*, 191 Id. 304; *Oil Co. v. Oil Co.*, 47 W. Va. 84; *Ludlam v. Buckingham*, 39 N. J. Eq. 563. But see *Franklin Tel. Co. v. Harri-*

*son*, 145 U. S. 459; *Haffner v. Dobrinski*, 17 Okla. 438.

<sup>5</sup> *Wedgwood v. Adams*, 6 Beav. 600; *Webb v. London & Portsmouth R. Co.*, 1 De G., M. & G. 521; *Southern R. Co. v. Franklin, etc.*, R. R. Co., 96 Va. 693; *Goding v. R. R. Co.*, 94 Me. 542; *Leicester v. Front Imp. Co.*, 8 U. S. App. 374; *Federal Oil Co. v. Western Oil Co.*, 57 C. C. A. 428; *Sanders v. Newton*, 140 Ala. 335; *Williamson v. Dils*, 114 Ky. 962. Particularly if it has become more onerous through the delay of the complainant; *Andrews v. Bell*, 56 Pa. 350; *Wonson v. Fenno*, 129 Mass. 405.

<sup>6</sup> *Friend v. Lamb*, 152 Pa. 529-536.

<sup>7</sup> *Dumont v. Dufore*, 27 Ind. 263; *Evans v. Kittrell*, 33 Ala. 449; *Marsh v. Fairbury & N. R. Co.*, 64 Ill. 414; *Foll's Appeal*, 91 Pa. 437; *Morgan v. Bell*, 3 Wash. St. 554; *Nibert v. Baghurst*, 47 N. J. Eq. 201. The defence need not be set up by defendant. *Kreamer v. Earl*, 91 Cal. 112.

<sup>8</sup> *Peters v. Delaplaine*, 49 N. Y. 362; *Booten v. Scheffer*, 21 Gratt. 474; *Miller v. Henlan*, 51 Pa. 265; *Kimball v. Tooke*, 70 Ill. 553; *Gas Light & Coke Co. v. Towse*, 35 Ch. D. 519; *Urpman v. Oil Co.*, 53 W. Va. 501.

<sup>9</sup> *South, etc., R. Co. v. Highland Av., etc., R. Co.*, 117 Ala. 395.

tion or mistake;<sup>1</sup> (but not if the mistake has been occasioned by the defendant's own carelessness and has not been contributed to by the vendor and the contract would work no injustice to the defendant);<sup>2</sup> or the contract is founded on imposition;<sup>3</sup> or is made by an agent in a manner not authorized by the principal;<sup>4</sup> or will involve a breach of trust;<sup>5</sup> or the breach of a prior parol contract for the sale of land in favor of a subsequent written agreement;<sup>6</sup> or it is not clear that the minds of the parties have come together;<sup>7</sup> or where the real intention of the parties can no longer be carried into effect;<sup>8</sup> or where there is "sharp practice" on part of plaintiff;<sup>9</sup> or if it cannot be enforced in its entirety;<sup>10</sup> or if it is not established by satisfactory proof;<sup>11</sup> in all of the above cases specific performance will be refused.<sup>12</sup> Moreover, the complainant is not entitled to specific performance if he has consented to a rescission of the contract or has abandoned it, or has induced a belief by the other party that it has been abandoned.<sup>13</sup> But

<sup>1</sup> *Malins v. Freeman*, 2 Keen, 25; *Colyer v. Clay*, 7 Beav. 188; *Union Bank v. Munster*, 37 Ch. D. 51; *Bruck v. Tucker*, 42 Cal. 346; *Jones v. Clifford*, 3 Ch. D. 779; *Holmes's Appeal*, 77 Pa. 50; *Miles v. Stevens*, 2 Id. 37; *Smith v. Sturgess*, 65 How. Pr. R. 360; *Mansfield v. Sherman*, 81 Me. 365; *Mulligan v. Alberts*, 103 Wis. 140; *Kelley v. York*, 94 Me. 374; *Kekaula v. Ehu*, 10 Hawaii, 68; *Cowan v. Curran*, 216 Ill. 598.

<sup>2</sup> *Van Praagh v. Everidge* [1902], 2 Ch. 271.

<sup>3</sup> *Fish v. Leser*, 69 Ill. 394; *Brady's Appeal*, 66 Pa. 277; *Piersol v. Neill*, 63 Id. 420; *Merritt v. Wassenich*, 49 Fed. Rep. 785; *Miller v. Tjexhus*, 20 S. D. 12.

<sup>4</sup> *Daniel v. Adams*, Amb. 495; and see *Proudfoot v. Wightman*, 78 Ill. 553; *Garrett v. Mining Co.*, 113 Mo. 330 (*ultra vires*), and *Weise's Appeal*, 72 Pa. 351. For a case where a tenant in common agreed to transfer without the consent of his co-tenant, see *Olson v. Lovell*, 91 Cal. 506.

<sup>5</sup> *Mortlock v. Buller*, 10 Ves. 292; 2 L. Ca. Eq. 484, note to *Woollam v.*

*Hearn*. See *Whitlock v. Washburn*, 62 Hun, 369, and *Millsaps v. Shotwell*, 76 Miss. 923.

<sup>6</sup> *Maguire v. Heraty*, 163 Pa. 381. See *Kirkland v. Downing*, 106 Ga. 530, and *Lemon v. Randall*, 124 Mich. 687.

<sup>7</sup> *Wistar's Appeal*, 80 Pa. 484. See *Brown v. Brown*, 33 N. J. Eq. 650; *Chute v. Quincy*, 156 Mass. 189; *Somerville v. Coppage*, 101 Md. 519; *Clinchfield Co. v. Powers*, 107 Va. 393.

<sup>8</sup> *South, etc., R. R. Co. v. Highland Av., etc., R. R. Co.*, 119 Ala. 105.

<sup>9</sup> *Engberry v. Rousseau*, 117 Wis. 52.

<sup>10</sup> *Hill v. Rich Hill Mining Co.*, 119 Mo. 9; *Paris v. Greig*, 12 Hawaii, 274.

<sup>11</sup> *Dalsell v. Dueber Watch Co.*, 149 U. S. 315.

<sup>12</sup> Specific performance will not be decreed of a contract by a donee of a testamentary power to bequeath property by will. *In re Parkin* [1892], 3 Ch. 510.

<sup>13</sup> *Lasher v. Loeffler*, 190 Ill. 150; *Young v. Jordan*, 183 Id. 469.

where a contract is fair and reasonable when it is made, its enforcement will not, as a general rule, be refused because unforeseen events have subsequently made it inequitable.<sup>1</sup> Still less will it be refused, simply because of depreciation in value.<sup>2</sup>

### 377. Contracts must be mutual, certain, and practicable.

The other circumstances, in addition to those already mentioned, which usually influence the discretion of a chancellor in decreeing or refusing specific performance, are that the agreement must be *mutual*, that its terms must be *certain*, and that its enforcement by the courts must be *practicable*.<sup>3</sup> Equity will not decree the specific performance of a unilateral contract.<sup>4</sup> Thus a *feme covert* cannot obtain specific performance of a contract which is not binding on her;<sup>5</sup> and the rule is the same as to an infant.<sup>6</sup> Nor does the rule mean that there must be mutuality as to

<sup>1</sup> *Homan v. Stewart*, 103 Ala. 644; *Prospect Park & Coney Is. R. R. Co. v. Coney Is. & Brooklyn Co.*, 144 N. Y. 152. See, however, *Esper v. Wilson*, 190 Ill. 629.

<sup>2</sup> *Clark v. Hutsler*, 96 Va. 78.

<sup>3</sup> *Chadwick v. Chadwick*, 121 Ala. 580; *Ryan v. McLane*, 91 Md. 175.

<sup>4</sup> *Marble Company v. Ripley*, 10 Wall. 339; *Texas & Pac. Ry. Co. v. Marshall*, 126 U. S. 407; *Strang v. Richmond, etc., R. R. Co.*, 41 C. C. A. 481; *Oil Co. v. Oil Co.*, 47 W. Va. 84; *Baltimore Humane Society v. Pierce*, 98 Md. 352; *Bronson v. Cahill*, 4 McLean, 19; *Tyson v. Watts*, 1 Md. Ch. 13; *Benedict v. Lynch*, 1 Johns. Ch. 370; *Putnam v. Grace*, 161 Mass. 237; *Bodine v. Glading*, 21 Pa. 50; *Corson v. Mulvany*, 49 Id. 88; *Jones v. Noble*, 3 Bush, 694; *Ewins v. Gordon*, 49 N. H. 444; *McMurtrie v. Bennett*, *Harring. Ch. (Mich.)* 124; *Hawley v. Sheldon*, Id. 420; *Hutcheson v. McNutt*, 1 Ohio, 14; *Sutherland v. Parkins*, 75 Ill. 338; *Meason v. Kaine*, 63 Pa. 340; *Peck v. Levinger*, 6 Dak. 54; *Kennicott v. Leavitt*, 37 Ill. App. 435. See, however, *Hayes v. O'Brien*, 149 Ill. 403; *Berry v. Frisbie*, 120 Ky.

338; *Pacific Ry. Co. v. Campbell*, 153 Cal. 106.

<sup>5</sup> *Richards v. Green*, 23 N. J. Eq. 536; *Pinner v. Sharp*, Id. 274; *S. V. Railroad Co. v. Dunlop*, 86 Va. 346; *Warren v. Castello*, 109 Mo. 338. When a *feme covert* has made a valid contract for the sale of her real estate in accordance with the formalities prescribed by law, she may be decreed to perform it specifically. *Dankel v. Hunter*, 61 Pa. 382.

<sup>6</sup> *Flight v. Bolland*, 4 Russ. 298; *Wylson v. Dunn*, 34 Ch. D. 569. And specific performance of an agreement to sell real estate will not be decreed against a vendor whose wife refuses to join in the conveyance, unless, indeed, the vendee is willing to pay the full purchase-money, and accept the deed of the vendor without his wife joining. *Riess's Appeal*, 73 Pa. 490; *Real Estate Co. v. Spelbrink*, 211 Mo. 671; *Burk's Appeal*, 75 Id. 141; *Reilly v. Smith*, 25 N. J. Eq. 158; *McCormick v. Stephany*, 57 Id. 257; *People's Savings Bank v. Parisette*, 68 Ohio, 450. See, also, *Yost v. Devault*, 9 Ia. 50. As to homestead lands, see *Moses v. McClain*, 82 Ala. 370. But a contract

remedy.<sup>1</sup> But this rule does not apply to a case where one of the parties has fully performed his engagement.<sup>2</sup> Nor where the contract is unilateral only in form.<sup>3</sup> Again, the terms of an agreement must be certain. It was one of the rules laid down by Lord Rosslyn in *Walpole v. Orford*, that "all agreements in order to be executed in this court must be certain and defined;"<sup>4</sup> and the law as thus stated is well settled both in England and in this country,<sup>5</sup> having been recognized in many cases in nearly all the states of the Union.<sup>6</sup> This rule is, however, subject to two qualifications: first, that specific performance will not be refused if the

in which one party has an *option* to buy is not so devoid of mutuality as to prevent a court of equity from decreeing its specific performance. *Corson v. Mulvany*, 49 Pa. 88; *Smith & Fleck's Appeal*, 69 Id. 480; *Peterson v. Chase*, 115 Wis. 239.

<sup>1</sup> *Northern Cent. Ry. Co. v. Walworth*, 193 Pa. 213; *Philadelphia Ball Club, Limited, v. Lajoie*, 202 Pa. 219, where the subject is fully considered.

<sup>2</sup> *Putnam v. Tinkler*, 83 Mich. 628; *Gira v. Harris*, 14 S. D. 537; *Boyd v. Brown*, 47 W. Va. 238; *Spires v. Urbahn*, 124 Cal. 110; *Black v. Maddox*, 104 Ga. 157; *Walker v. Edmundson*, 111 Id. 454; *Howe v. Watson*, 179 Mass. 30; *French v. Boston Nat. Bank*, Id. 404; *Finlen v. Heinze*, 32 Mont. 354; *Dickson v. Stewart*, 71 Neb. 424.

<sup>3</sup> *Ross v. Parks*, 93 Ala. 153.

<sup>4</sup> 3 Ves. 420. See *Pearce v. Watts*, L. R. 20 Eq. 492, and the remarks in *Colgan v. Oil Co.*, 194 Pa. 239.

<sup>5</sup> See Fry on Specific Performance, §§ 203 *et seq.*, and §§ 229 *et seq.*

<sup>6</sup> *Dodd v. Seymour*, 21 Conn. 476; *Waring v. Ayres*, 40 N. Y. 357; *King v. Ruckman*, 20 N. J. Eq. 316; *Nichols v. Williams*, 22 Id. 65; *Parish v. Koons*, 1 Pars. Eq. 97; *Hammer v. McEldowney*, 46 Pa. 334; *Van Horn v. Munnell*, 145 Id. 497; *Reilly v. Gautschi*, 174 Id. 80; *Agnew v. Southern Av. Land Co.*, 204 Id. 192;

*Canton Co. v. Railroad Co.*, 21 Md. 395; *Aday v. Echols*, 18 Ala. 353; *Madeira v. Hopkins*, 12 B. Mon. 595; *Munsell v. Loree*, 21 Mich. 491; *Baldwin v. Kerlin*, 46 Ind. 426; *Colson v. Thompson*, 2 Wheat. 336; *Kendall v. Almy*, 2 Sumn. 278; *Minturn v. Baylis*, 33 Cal. 129; *Huff v. Shepard*, 58 Mo. 242; *Burkmaster v. Thompson*, 36 N. Y. 558; *Jordan v. Deaton*, 23 Ark. 704; *Matthews v. Jarrett*, 20 W. Va. 415; *Breard v. Munger*, 88 N. C. 297; *Preston v. Stuart*, 5 Rep. 100 (Sup. Ct. U. S.); *Potter v. Hollister*, 45 N. J. Eq. 508; *Bamman v. Binzen*, 47 N. Y. St. Rep. 67; *Sawyer v. Wallace*, 47 Minn. 395; *Ham v. Johnson*, 55 Id. 115; *L. S. & M. S. Ry. Co. v. Hoffert*, 40 Ill. App. 631; *Horner v. Woodland*, 88 Md. 511; *Vierra v. Ropert*, 10 Hawaii, 294; *Whittemore v. N. Y., etc., R. R. Co.*, 174 Mass. 363; *Berry v. Wortham*, 96 Va. 87; *Lee v. Stone*, 21 R. I. 123; *Latimer v. Marchbanks*, 57 S. C. 267; *Bomer Bros. v. Canady*, 79 Miss. 222; *Burke v. Mead*, 159 Ind. 252; *Gile v. Dunbar*, 181 Mass. 22; *Kurdy v. Rogers*, 10 Idaho, 416; *Marks v. Gates*, 2 Alaska, 519; *Tipkins v. Phillips*, 123 Ga. 415; *Folsom v. Harr*, 218 Ill. 369; *Kirkpatrick v. Pettis*, 127 Ia. 611; *Moore v. Galupo*, 65 N. J. Eq. 194; *Sprague v. Jessup*, 48 Ore. 211; *Meyer Land Co. v. Pecor*, 18 S. D. 466; *Freeburgh v. Lamoreux*, 15 Wyo. 22.

uncertainty is owing to the fault of the defendant;<sup>1</sup> and, second, that in obedience to the maxim *id certum est quod certum reddi potest*, performance will be decreed if the means of ascertaining the contract are at hand.<sup>2</sup> Indeed, the courts have gone to the length of saying that if the parties have incurred obligations under the contract of such a character that they cannot be placed in *statu quo*, the court itself can fix the price, where it has not been determined, in order to compel specific performance.<sup>3</sup>

Courts of Chancery have at times refused to decree the specific performance of a contract, where it was deemed impossible to enforce the decree, or where the literal performance if enforced would be a vain and idle act. Thus, the courts have declined to enforce a contract to work the line of a railway company, and keep its engines and rolling stock in order, for it was thought to be out of the power of the court to see that such a contract was carried out;<sup>4</sup> and a contract to convey real estate or other prop-

<sup>1</sup> *Pritchard v. Ovey*, 1 J. & W. 396; *Ld. Kensington v. Phillips*, 5 Dow. 61; *Mincey v. Foster*, 125 N. C. 541; *Maryland Const. Co. v. Kuper*, 90 Md. 529.

<sup>2</sup> See *Walker v. The Eastern Counties Railway*, 6 Hare, 594; *Laird v. The Birkenhead Railway Co.*, Johns. Ch. 501; *Smith v. Peters*, L. R. 20 Eq. 511; *Dike v. Green*, 4 R. I. 285; *Van Doren v. Robinson*, 16 N. J. Eq. 256; *Prater v. Miller*, 3 Hawks, 628; *Felty v. Calhoon*, 139 Pa. 378; *Northern Cent. Ry. Co. v. Walworth*, 193 Id. 213; *Johnson v. Conger*, 14 Abb. Pr. 195; *Fry on Specific Performance*, § 207; *Gloucester, etc., Co. v. Cement Co.*, 154 Mass. 92; *Jones v. Parker*, 163 Id. 564; *Work v. Welsh*, 160 Ill. 468; *White v. Poole*, 74 N. H. 71; *Howison v. Bartlett*, 141 Ala. 593.

<sup>3</sup> *Town of Bristol v. Bristol and Warren Water Works*, 19 R. I. 413; *Grosvenor v. Flint*, 20 Id. (Part I.) 22; *Schneider v. Hildenbrand*, 36 S. W. R. 784. See, also, for a case in which performance of a part of a divisible contract was compelled, *Bower v. Bagley*, 9 Wash. 642, and *Water Co. v. Cherryvale*, 65 Kan. 219.

<sup>4</sup> *Johnson v. Shrewsbury and Birmingham Railway Co.*, 3 De G., M. & G. 914. See, also, *Blackett v. Bates*, L. R. 1 Ch. 117; *Lone Star Salt Co. v. Ry. Co.*, 99 Tex. 434; *Port Clinton R. Co. v. The Cleveland & Toledo R. Co.*, 13 Ohio St. 544; *Leonard v. Board of Directors*, 79 Ark. 42; *Buck v. Smith*, 29 Mich. 171; *Blanchard v. Detroit, Lansing & Lake Mich. R. Co.*, 31 Id. 45; *Marble Company v. Ripley*, 10 Wall. 339 (where the rules upon this subject are laid down by the Supreme Court of the United States); *Ross v. The Union Pacific R. Co.*, 1 Woolw. 26; *Fallon v. Railroad Co.*, 1 Dill. 121; *Berliner Gramophone Co. v. Seaman*, 49 C. C. A. 99; *Mastin v. Halley*, 61 Mo. 201; *Beck v. Allison*, 56 N. Y. 368; *Grape Creek Coal Co. v. Spellman*, 39 Ill. App. 630; *Ewing v. Litchfield*, 91 Va. 575; *Meehan v. Owens*, 196 Pa. 69, where the court refused specific performance of a contract of sale of a license to sell liquor together with the lease, good will, and fixtures of a saloon. And where the specific performance of the contract would be impracticable, the

erty, of which the vendor has no title, will not be decreed, for such a decree would be simply nugatory.<sup>1</sup> So, also, the court has declined to enforce a contract to sell a half interest in a newspaper business, thus creating a partnership requiring personal skill and judgment.<sup>2</sup> The performance of the contract, in short, must not be impracticable.<sup>3</sup>

But, on the other hand, if it be within the power of the court to supervise the performance of the contract, and the equities which justify its specific enforcement exist, the agreement will be enforced. And of late the supervisory power of the courts has been extended to cases which it formerly might not have been thought to cover. Thus, courts of equity have assumed jurisdiction to enforce the performance of contracts to operate railways, for the enforcement of agreements between railroad companies for the use of their tracks, and the like; and this advancement in remedial equity must be deemed not only serviceable in the interests of the business affairs of men, but justified by the inherent elasticity of chancery powers.<sup>4</sup> The decree in any given cause, therefore, must depend largely upon the features of the particular case, as well as upon the general rules now under consideration.<sup>5</sup>

complainant, of course, cannot gain his end by seeking it in the form of an injunction against the breach of the contract. *Pullman Car Co. v. Tex. & Pac. R. Co.*, 4 Woods C. Ct. 317.

<sup>1</sup> *Kennedy v. Hazelton*, 128 U. S. 671; *Fitzpatrick v. Featherstone*, 3 Ala. 40; *Woodward v. Harris*, 2 Barb. 439.

<sup>2</sup> *Clark v. Truitt*, 183 Ill. 239.

<sup>3</sup> See *Jones v. Newhall*, 115 Mass. 244, §§ 37 and 200, *ante*, and authorities there cited, and *Cutting v. Dana*, 25 N. J. Eq. 265; *Moore v. Tuohy*, 142 Cal. 347; *Borner Bros. v. Canady*, 79 Miss. 222; *Chadwick v. Chadwick*, 121 Ala. 580; *Paris v. Greig*, 12 Hawaii, 274.

<sup>4</sup> See for cases in which the court has decreed specific performance of contracts to operate railroads, etc., *Joy v. St. Louis*, 138 U. S. 1; *Franklin Tel. Co. v. Harrison*, 145 Id. 459; *Union Pacific Ry. Co. v. Chicago*,

*Rock Island and Pac. Ry. Co.*, 163 Id. 600; *Prospect Park & Coney Is. R. R. v. Coney Is. & Brooklyn Co.*, 144 N. Y. 152; *The Omaha Bridge Cases*, 10 U. S. App. 98; *Butchers' Co. v. P. & R. R. Co.*, 31 Id. 252; *Seaboard R. R. Co. v. W. & A. R. R. Co.*, 97 Ga. 289 (a case of injunction); *Bald Eagle V. R. R. Co. v. Nittany V. R. R. Co.*, 171 Pa. 284; *Cumberland V. R. R. Co. v. Gettysburg & Harrisburg Ry. Co.*, 177 Id. 519; *Bienville Water Supply Co. v. City of Mobile*, 112 Ala. 260, 742; *Schmidts v. L. & N. R. R. Co.*, 101 Ky. 441; *Southern R. Co. v. Franklin, etc., R. Co.*, 96 Va. 693.

<sup>5</sup> See *Lawrence v. Saratoga Lake Rd.*, 36 Hun, 407. Contrast this with *Ryan v. Westminster Chambers Association* [1892], 1 Ch. 427, reversed in [1893] 1 Ch. 116. See, also, *Equitable Gas Light Co. v. Balt. Coal Tar Co.*, 63 Md. 285; *Pomeroy v. Fullerton*, 113 Mo. 440; *Fortescue v. Lost-*

**378. Purchaser not compellable to accept a doubtful title.**

It is a settled and invariable rule that a purchaser shall not be compelled by a decree of a court of equity, in a suit for specific performance, to accept a doubtful title.<sup>1</sup> It has been said that the title which a purchaser is compelled to take ought, like Cæsar's wife, to be free even from suspicion;<sup>2</sup> although in some cases the rule has not been enforced with quite that degree of strictness. Thus, in *Beioley v. Carter*,<sup>3</sup> a purchaser was compelled to take a title which appeared good to the Court of Appeals although the judge of the court below had been of a different opinion; and in *Dalzell v. Crawford*<sup>4</sup> it was said that adverse opinions of conveyancers and counsel did not constitute a sufficient ground for refusing a decree. But the general current of authority is undoubtedly against forcing upon a purchaser any title as to which there may be the slightest doubt or suspicion;<sup>5</sup> although it is difficult to extract from the decisions any rule which can always be applied. "To force a title on a purchaser," says the Vice-Chancellor in *Rogers v. Waterhouse*, "the opinion of the court in favor thereof must be so clear that it cannot be apprehended that another judge may form a different opinion."<sup>6</sup>

*withiel & Fowey Ry. Co.* [1894], 3 Ch. 621; *Cornwall and Lebanon R. R. Co.'s Appeal*, 125 Pa. 232, and *La Junta & Lamar Canal Co. v. Hess*, 31 Colo. 1.

<sup>1</sup> *Dyker L. & I. Co. v. Cook*, 159 N. Y. 6; *Simis v. McElroy*, 160 Id. 156; *Fahy v. Cavanagh*, 59 N. J. Eq. 278; *Van Zandt v. Garretson*, 21 R. I. 418; *Emerson v. Schwindt*, 108 Wis. 167; *Newberry v. French*, 98 Va. 479; *Murray v. Railroad Co.*, 64 S. C. 520; *Zane v. Weintz*, 65 N. J. Eq. 214.

<sup>2</sup> 1 Sug. V. & P. 577 (8th Am. ed.).

<sup>3</sup> L. R. 4 Ch. 230. See *Collier v. McBean*, 1 Id. 81.

<sup>4</sup> 1 Pars. Eq. (Pa.) 37.

<sup>5</sup> *Pyrke v. Waddingham*, 10 Hare, 1; *Hepburn v. Dunlop*, 1 Wheat. 179; *Richmond v. Gray*, 3 Allen, 25; *Swayne v. Lyon*, 67 Pa. 436; *Herzberg v. Irwin*, 92 Id. 48; *Reighard's Estate, Clouse's Appeal*, 192 Id. 111;

*Griffin v. Cunningham*, 19 Gratt. 571; *Owings v. Baldwin*, 8 Gill, 337; *Voorhees v. De Meyer*, 3 Sandf. Ch. 614; *Sebring v. Mersereau*, 9 Cow. 344; *People v. Stock Brokers' Building Co.*, 92 N. Y. 98; *Butler v. O'Hear*, 1 Dess. 382; *Thompson v. Dulles*, 5 Rich. Eq. 370; *Laurens v. Lucas*, 6 Id. 217; *Hoyt v. Tuxbury*, 70 Ill. 331; *Page v. Greely*, 75 Id. 400; *Smith v. Turner*, 50 Ind. 372; *Lewis v. Herndon*, 3 Litt. 358; *Kelly v. Bradford*, 3 Bibb, 317; *Fitspatrick v. Featherstone*, 3 Ala. 40; *Townshend v. Goodfellow*, 40 Minn. 312; *Abbott v. James*, 111 N. Y. 673; *Oakey v. Cook*, 41 N. J. Eq. 350; *Godfrey v. Rosenthal*, 17 S. D. 452.

<sup>6</sup> *Rogers v. Waterhouse*, 4 Drew. 329; *Hedderly v. Johnson*, 42 Minn. 443; *McPherson v. Shade*, 149 N. Y. 16; *Hunting v. Damon*, 160 Mass. 441. In *Levy v. Iroquois Building Co.*, 80 Md. 300, it was said that the doubt which will excuse a purchaser from

**379. *Pyrke v. Waddingham.***

*Pyrke v. Waddingham* <sup>1</sup> may probably be considered the leading case upon this subject in England. The proposition was there laid down that a doubtful title which a purchaser will not be compelled to accept is not only a title upon which the court entertains doubt, but includes also a title which, although the court has a favorable opinion of it, yet may reasonably and fairly be questioned, in the opinion of other competent persons; for the court has no means of binding the question as against adverse claimants, or of indemnifying the purchaser, if its own opinion in favor of the title should turn out not to be well founded. If the doubts as to a title arise upon a question connected with the general law, the court is to judge whether the general law upon the point is or is not settled; and if it be not, or if the doubts as to the title may be affected by extrinsic circumstances, which neither the purchaser nor the court can satisfactorily investigate, specific performance will be refused. These propositions were adopted as correct statements of the law upon this subject in the subsequent case of *Mullings v. Trinder*, decided in 1870.<sup>2</sup>

**380. Other rules as to title.**

The mere *possibility* of an adverse claim is not sufficient to render a title doubtful,<sup>3</sup> nor a mere pecuniary charge, if the purchaser can be protected against it.<sup>4</sup> And if the decree can provide for the vesting of a good title in the purchaser he will be compelled to accept it.<sup>5</sup>

It may be added here that it has been decided that a court of equity will decree specific performance if the vendor is able to

completing a contract of sale must be a reasonable one. See, also, *Maryland Const. Co. v. Kuper*, 90 Id. 529.

<sup>1</sup> 10 Hare, 1.

<sup>2</sup> L. R. 10 Eq. 449. Singular to say, in this case, Lord Romilly, M. R., while approving of the rules laid down by (then) Vice-Chancellor Turner in *Pyrke v. Waddingham*, refused to follow that decision under exactly similar circumstances. See *In re Thackwray and Young's Contract*, 40 Ch. D. 38. A collection of examples of titles which have been held good and those which have been held bad or doubtful will be found in

*Watson's Compendium of Equity*, 1040, 1041. See note to *Cornell v. Andrews*, 35 N. J. Eq. 7; *Dingley v. Bon*, 130 N. Y. 607; *Walker v. Gillman*, 127 Mich. 269.

<sup>3</sup> *Hillary v. Waller*, 12 Ves. 252. See, also, *Vreeland v. Blauvelt*, 23 N. J. Eq. 483; *Lyman v. Gedney*, 114 Ill. 388. But see *Chauncey v. Leominster*, 172 Mass. 340.

<sup>4</sup> *Tiernan v. Roland*, 15 Pa. 441; *Thompson v. Carpenter*, 4 Id. 132; *Megibben v. Perin*, 49 Fed. Rep. 183; *Hudson v. Mar Meadows L. & I. Co.*, 97 Va. 341.

<sup>5</sup> *Doebler's Appeal*, 64 Pa. 9.



make a good title at any time before final decree.<sup>1</sup> But this doctrine will not be carried to the extent of holding that a vendor is entitled to specific performance if he had *no* title at the date of the contract, although he may have subsequently acquired one; for one who speculates upon that which is not within his control is not a *bona fide* contractor, and there is no mutuality between the parties.<sup>2</sup>

When a vendor has a defective title the vendee may, if he chooses to rely upon the covenants for title, compel the specific performance of the contract.<sup>3</sup>

But where the vendor has *no* title, the vendee cannot compel a conveyance, for that would be to decree the performance of an unlawful act.<sup>4</sup>

### 381. Parol variations of written contracts; *Townshend v. Stangroom*.

It was (and is) a well-established rule in England that specific performance of a written contract with a parol variation will not be enforced. What is meant by this rule is this: The ordinary principle of evidence in regard to contracts which have been re-

<sup>1</sup> *Hepburn v. Dunlop*, 1 Wheat. 179; *Baldwin v. Salter*, 8 Paige Ch. 473; *Graham v. Hackwith*, 1 Marsh. 423; *Tyree v. Williams*, 3 Bibb, 365; *Seymour v. Delancey*, 3 Cow. 445; *Moss v. Hanson*, 17 Pa. 379; *Tiernan v. Roland*, 15 Id. 429; *Richmond v. Gray*, 3 Allen, 25; *Lockett v. Williamson*, 37 Mo. 388; *Fraker v. Braselton*, 12 Lea (Tenn.), 278; *Murrell v. Goodyear*, 1 De G., F. & J. 432; *Gibson v. Brown*, 214 Ill. 330; *Dunn v. Stowers*, 104 Va. 290; *Kentucky Warehouse Co. v. Blanton*, 149 Fed. Rep. 31. Specific performance will not be decreed on the application of a vendor unless his ability to make such title as he agreed to make be unquestionable. In a contract for the purchase of a fee, if no encumbrance be communicated to the purchaser or be known to him, he is entitled to an unencumbered title, and a court of equity will not decree specific performance, unless the

vendor is able to do all that it is incumbent on him to do. The objection is not confined to doubtful titles. It applies to encumbrances of every description which may in any manner embarrass the purchaser in the full and quiet enjoyment of his purchase. *Sloan v. Rose*, 101 Va. 151.

<sup>2</sup> *Forrer v. Nash*, 35 Beav. 167; *Bellamy v. Debenham* [1891], 1 Ch. 412; *In re Bryant & Barningham's Contract*, 44 Ch. D. 218; *Wilson v. Williams*, 3 Jur. (N. S.) 810; *Tiernan v. Roland*, 15 Pa. 429; *Moss v. Hanson*, 17 Id. 379; *Fry on Spec. Perf.* § 875. But see *Mortlock v. Buller*, 10 Ves. 315.

<sup>3</sup> *Harding v. Parshall*, 56 Ill. 227.

<sup>4</sup> *Chartier v. Marshall*, 51 N. H. 400. See *Adams's Eq.* 80, 81; *Morgan v. Bell*, 3 Wash. St. 554, and *Moses v. McClain*, 82 Ala. 370; *Ormsby v. Graham*, 123 Ia. 202.

duced to writing, is that the intention of the parties is to be gathered solely from the written agreement, and that no evidence can be admitted to show any verbal qualification of the writing. Cases of fraud or mistake formed, as we have seen, exceptions to this rule.<sup>1</sup> It has been also observed, in the preceding pages, that equity would not lend its aid to the enforcement of a contract into which a party had been induced to enter by misrepresentation or mistake. Hence, if from these causes a material stipulation had been omitted from an agreement, or the agreement did not express the real intention of the parties, parol evidence to establish that such was the case was admissible on behalf of the defendant, and constituted a good defence to the complainant's bill. But then the question occurred—ought equity to go one step further? Suppose a written contract had been drawn and executed, which by reason of some mistake or deceit did not properly express the intention of the parties; could the complainant show, by parol evidence, what the contract actually was, and then have a decree for the specific performance of the written agreement as modified by the parol evidence? In England this question was answered in the negative. The distinction is there well established between a party seeking, and one resisting specific performance—parol evidence to vary a written instrument being admissible in the latter case, and not in the former.<sup>2</sup>

The difference between a plaintiff seeking and a defendant resisting specific performance is well illustrated by the case of *Townshend v. Stangroom*,<sup>3</sup> in which both parties to a contract to lease filed bills, one to have the contract enforced as it was written, the other to have it carried out as modified by parol. Lord Eldon dismissed both bills: the first, because parol evidence was admissible on behalf of the defendant; the second, because evidence of the same kind was not admissible on behalf of the complainant; and this distinction has been always recognized.<sup>4</sup>

### 382. Authorities in the United States.

In this country, however, although there has been some conflict of authority, the better opinion, perhaps, is that the English rule ought not to be strictly followed; but that in proper cases

<sup>1</sup> *Ante*, § 258.

<sup>2</sup> This distinction is independent of the Statute of Frauds.

<sup>3</sup> 6 Vesey, 328. See, also, *Olley v. Fisher*, 34 Ch. D. 367, and *Woollam*

*v. Hearn*, 2 Lead. Cas. Eq. 484, and notes.

<sup>4</sup> *Darnley v. Lond., Chat. & Dev. R. Co.*, L. R. 2 H. L. 48; *Fry on Spec. Perf.* §§ 515 *et seq.*

of fraud or mistake, a party ought to have the assistance of a chancellor in enforcing a written contract with a parol variation. This was laid down by Chancellor Kent, in the case of *Gillespie v. Moon*,<sup>1</sup> and has been recognized in several states.<sup>2</sup> In others the case has not been followed and the English rule is adhered to.<sup>3</sup>

It must next be noticed that an important point which is often to be taken into consideration, in determining whether a contract shall or shall not be enforced, is the effect of the Statute of Frauds. In cases which fall within that statute, it is obvious that to carry the rule in *Gillespie v. Moon* to the extent of holding that an agreement (for example) to convey fifty acres may, for the sake of justice and equity, be construed to mean a contract to convey one hundred, would be to repeal the Statute of Frauds, and to give effect to a simple verbal agreement to sell land. Where, however, the contention of the complainant is that something which is actually embraced in the writing was not intended to be included therein, to suffer him to show this is not to enforce a parol contract in relation to land, it is simply to prove that a written contract did not embrace all that on its face it appeared to include.<sup>4</sup> Such was the actual state of the case in *Gillespie v. Moon*.<sup>5</sup>

### 383. Statute of Frauds; exceptions.

It is well known that by the Statute of Frauds (the provisions of which have been adopted by legislative enactments in most of the United States) all uncertain interests in land created by parol merely had the force and effect, both at law and in equity,

<sup>1</sup> 2 Johns. Ch. 585.

<sup>2</sup> See *Keisselbrack v. Livingston*, 4 Johns. Ch. 144; *Wall v. Arrington*, 13 Ga. 88; *Mosby v. Wall*, 23 Miss. 81; *Philpott v. Elliott*, 4 Md. Ch. 273; *Creigh v. Boggs*, 19 W. Va. 240; *Moale v. Buchanan*, 11 Gill & J. 314; *Tilton v. Tilton*, 9 N. H. 385; *Bellows v. Stone*, 14 Id. 175; *Bradford v. Union Bank*, 13 How. 57; *Ballou v. Sherwood*, 32 Neb. 666; *Gloucester, etc., Co. v. Cement Co.*, 154 Mass. 92.

<sup>3</sup> *Elder v. Elder*, 1 Fairfield, 80; *Osborn v. Phelps*, 19 Conn. 63; *Westbrook v. Harbeson*, 2 McCord Ch. 112; *Brooks v. Wheelock*, 11 Pick. 439; *Miller v. Chetwood*, 2 N. J. Eq.

199; *Dennis v. Dennis*, 4 Rich. Eq. 307; *Best v. Stow*, 2 Sandf. Ch. 298; *Climmer v. Hovey*, 15 Mich. 18; and see American note to *Woollam v. Hearn*, 2 Lead. Cas. Eq. 484, 485 (4th Am. ed.); 1 Sug. V. & P. 243 (8th Am. ed.), and notes; *Davis v. Ely*, 104 N. C. 16; *Macomber v. Peckham*, 16 R. I. 485.

<sup>4</sup> See American notes to *Woollam v. Hearn*, *ut sup.*

<sup>5</sup> See *Glass v. Hulbert*, 102 Mass. 24, where the authorities are examined and the case of *Gillespie v. Moon* explained. See, also, *Olson v. Erickson*, 42 Minn. 440, and article in 24 Am. Law Reg. 81.

of estates at will only, saving always leases not exceeding three years from the making thereof. While, however, the provisions of this statute were rigorously enforced at law, it was considered in equity that a case might be taken out of the statute by peculiar circumstances which might render its application inequitable and unjust. The statute being designed to prevent frauds, equity would not allow it to be used or set up for the purpose of effecting a fraud.<sup>1</sup> Hence there arose certain well-established exceptions to the statute, in which equity would lend its aid to protect a party in the enjoyment of real estate, or actively to assert his rights thereto under a parol contract.<sup>2</sup> These cases may be reduced to three classes: first, where there has been a part performance of the contract; secondly, where the reduction of the contract to writing has been prevented by fraud; and thirdly, where the contract is admitted by the defendant's answer, and the statute is not set up as a defence.<sup>3</sup>

#### 384. Part performance.

The doctrine of part performance is based upon the principle that where a contract is so far performed that the parties could not be restored to their original position if the contract was rescinded, it would be highly unjust to allow any technical objection to the fulfilment of the contract to be interposed.<sup>4</sup> Hence, if a verbal contract is made for the sale of real estate, and is acted upon to the extent above indicated, neither party can then refuse to perform it on the ground that the provisions of the Statute of Frauds have not been complied with. If, for example, upon the faith of a parol agreement, the purchaser has gone into possession, has paid the purchase-money, and has made valuable improvements, the vendor will not be suffered to set up the Statute of Frauds as a ground for refusing to execute a conveyance. The case, as it is said, is taken out of the statute.<sup>5</sup>

<sup>1</sup> See this phase explained in *Britain v. Rossiter*, 11 Q. B. Div. 130, and *Maddison v. Alderson*, 8 App. Cas. 474. See *Svanburg v. Fosseen*, 75 Minn. 350.

<sup>2</sup> As to the evidence required in such cases, see *Lord's Appeal*, 105 Pa. 451; *Moyer's Appeal*, Id. 432.

<sup>3</sup> See *Smith's Manual of Equity*, 252.

<sup>4</sup> *Jorgensen v. Jorgensen*, 81 Minn. 428.

<sup>5</sup> *Adams's Eq.* 86. See *Maddison v. Alderson*, 8 App. Cas. 474 (where the doctrine is carefully explained by Lord Selborne); and *Whitney v. Hay*, 181 U. S. 90-91. Also, *Britain v. Rossiter*, 11 Q. B. Div. 130; *Howard v. Mfg. Co.*, 38 Ch. D. 156; *Miller v. Sharp* [1899], 1 Ch. 625; *Wainwright*

**385. What constitutes part performance.**

The general doctrine of part performance is well established; and is recognized in most of the states of the Union.<sup>1</sup> The difficulty in most cases has been to say what will take a case out of the statute; in other words, what must be the predicament of the parties which would justify a court in saying that it would be inequitable to suffer the bar of the statute to be set up.<sup>2</sup>

*v. Talcott*, 60 Conn. 43; *Miller v. Lorentz*, 39 W. Va. 160. While the fact that the rents or the proceeds from the use of the premises alleged to have been given to defendants greatly exceeded the cost or value of the improvements which defendants, relying upon such gift, placed thereon should not be made a distinct ground for refusal to execute a parol gift, such fact should be considered in determining the nature and extent of the alleged improvement, and in testing the alleged grounds for equitable interposition. *Young v. Crawford*, 82 Ark. 33.

<sup>1</sup> In *Wright v. Pucket*, 22 Gratt. 374, it is said that from the numerous decisions upon the subject the following principles may be extracted:

1st. The parol agreement relied on must be certain and definite, and definite in its terms;

2d. The acts proved in part performance must refer to, result from, or be made in pursuance of the agreement proved; and

3d. The agreement must have been so far executed that a refusal of full execution would operate as a fraud upon the party, and place him in a situation which does not lie in compensation.

These propositions seem to be fairly deducible from the authorities. See, upon this subject, *Purcell v. Miner*, 4 Wall. 513; *Boyd v. Brown*, 47 W. Va. 238; *Alexander v. Alexander*, 150 Mo. 579; *Newton v. Swazey*, 8 N. H. 9; *Annan v. Meritt*, 13 Conn. 478; *Parkhurst v.*

*Van Cortland*, 14 Johns. 15; *Miller v. Ball*, 64 N. Y. 286; *Kennedy v. Anderson*, 49 Wash. 14; *Dougan v. Blocher*, 24 Pa. 28; *McCue v. Johnston*, 25 Id. 306; *McGibbeny v. Burmaster*, 53 Id. 332; *Reno v. Moss*, 120 Id. 61; *Hancock v. Melloy*, 187 Id. 379; *Pleasanton v. Raughley*, 3 Del. Ch. 124; *Cannon v. Collins*, Id. 132; *Campbell v. Freeman*, 20 W. Va. 398; *Gough v. Crane*, 3 Md. Ch. 119; *Hardesty v. Richardson*, 44 Md. 617; *Wilde v. Fox*, 1 Rand. 165; *Printup v. Mitchell*, 17 Ga. 558; *Parke v. Leewright*, 20 Mo. 35; *Sweeny v. O'Hara*, 43 Ia. 36; *Ottenhouse v. Burleson*, 11 Tex. 87; *Arguello v. Edinger*, 10 Cal. 150; *Burnell v. Bradbury*, 67 Kan. 762; *Hinkle v. Hinkle*, 55 Ark. 583; *Morris v. Gaines*, 82 Tex. 255; *Verzier v. Convard*, 75 Conn. 1; *Teske v. Dettberner*, 70 Neb. 544. In other states, however, the rule is different. See *Stearns v. Hubbard*, 8 Greenl. 320; *Patterson v. Yeaton*, 47 Me. 308; *Parker v. Parker*, 1 Gray, 409; *Patton v. M'Clure*, 1 Mart. & Yerg. 333; *Goodloe v. Goodloe*, 116 Tenn. 252; *Ridley v. McNairy*, 2 Humph. 174; *Robeson v. Hornbaker*, 3 N. J. Eq. 60; *Wingate v. Dail*, 2 Har. & J. 76; *Ellis v. Ellis*, 1 Dev. Eq. 341; *Albea v. Griffin*, 2 Dev. & Bat. Eq. 9; *Allen v. Chambers*, 4 Ired. Eq. 125; *Best v. Gralapp*, 69 Neb. 811; 1 Sug. V. & P. 225, note (8th Am. ed.).

<sup>2</sup> See *Milliken v. Dravo*, 67 Pa. 230; also *Cramer v. Mooney*, 59 N. J. Eq. 164.

It is settled that going into possession under the contract and making improvements will be sufficient.<sup>1</sup> And in some cases entry into possession alone has been held to be enough.<sup>2</sup> But possession must be taken under and by virtue of the contract, otherwise it cannot avail; and, indeed, as a general rule anything that is relied upon to take the case out of the statute must be done in pursuance of the contract, and must not be referable to another title.<sup>3</sup> If the vendee is already in possession of the property, the continuance of this possession will not be considered a part performance to take the case out of the statute;<sup>4</sup> unless

<sup>1</sup> *Freeman v. Freeman*, 43 N. Y. 34; *Casler v. Thompson*, 4 N. J. Eq. 59; *Smith v. Smith*, 1 Rich. Eq. 130; *Deniston v. Hoagland*, 67 Ill. 265; *West v. Bundy*, 78 Mo. 407; *Drum v. Stevens*, 94 Ind. 181; *Schuey v. Schaeffer*, 130 Pa. 18; *Moore v. Allen*, 26 Colo. 197; *Sprague v. Jessup*, 48 Oreg. 211; *Nunn v. Fabian*, L. R. 1 Ch. 35; *Williams v. Evans*, Id. 19 Eq. 577; *Barton v. Dunlap*, 8 Idaho, 82; *Sutherland v. Taintor*, 17 Okla. 427; *West v. Ry. Co.*, 49 Oreg. 448; *Karren v. Rainey*, 30 Utah, 7; *White v. White*, 231 Ill. 298; *Logue v. Langgan*, 151 Fed. Rep. 455. The improvements must be of a permanent character. *Peckham v. Barker*, 8 R. I. 17; *Wack v. Sorber*, 2 Whart. 387; *Baker v. Allison*, 186 Ill. 613; *Anderson v. Schneider*, 22 Wash. 363; *Price v. Lloyd*, 31 Utah, 87.

<sup>2</sup> *Green v. Richards*, 23 N. J. Eq. 32; s. c. on appeal, Id. 539; *Smith v. Underdunk*, 1 Sandf. Ch. 579; *Dunkel v. Dunkel*, 141 N. Y. 427; *Pugh v. Good*, 3 W. & S. 56; *Moale v. Buchanan*, 11 Gill & J. 314; *Hart v. Hart*, 3 Dess. 592; *Anderson v. Chick*, 1 Bailey Ch. 118; *Brock v. Cook*, 3 Porter, 464; *Waggoner v. Speck*, 3 Ham. 292; *Palmer v. Richardson*, 3 Strobb. Eq. 16; *Huntington, etc., Development Co. v. Thornberg*, 46 W. Va. 99. But see *Moore v. Small*, 19 Pa. 461. Such possession must

be notorious, exclusive, continuous and in pursuance of the contract. *Baldwin v. Baldwin*, 73 Kan. 39.

<sup>3</sup> *Mills v. Haywood*, 6 Ch. Div. 196; *Wright v. Pucket*, 22 Gratt. 374; *Robertson v. Robertson*, 9 Watts, 32, 42; *Phillips v. Thompson*, 1 Johns. Ch. 131, 149; *Smith v. Smith*, 1 Rich. Eq. 130; *Sanborn v. Sanborn*, 7 Gray, 142, 146; *Ham v. Goodrich*, 33 N. H. 38; *Haisten v. Savannah, etc.*, R. R., 51 Ga. 199; *Lester v. Kinne*, 37 Conn. 9, 14; *Dimond v. MacFarlane*, 11 Hawaii, 181; 1 Sug. V. & P. 226, note (8th Am. ed.). See *Kaufman v. Cook*, 114 Ill. 11; *Nibert v. Baghurst*, 47 N. J. Eq. 201; *Hartshorn v. Smart*, 67 Kan. 543.

<sup>4</sup> *Hatcher v. Hatcher*, 1 McMullan, Ch. 311; *Johnston v. Glancy*, 4 Black. 94; *Christy v. Barnhart*, 14 Pa. 260; *Mahana v. Blunt*, 20 Ia. 142; *Wilmer v. Farris*, 40 Id. 310. See, however, *Blanchard v. McDougal*, 6 Wis. 167; *Spalding v. Conzelman*, 30 Mo. 177; *Jenning v. Miller*, 48 Oreg. 201; *Morrison v. Herrick*, 130 Ill. 631; *Green v. Groves*, 109 Ind. 519. Where specific performance cannot be decreed the bill may be retained for the purpose of affording the intended purchaser compensation for improvements. *Parkhurst v. Van Cortlandt*, 1 Johns. Ch. 273; *Phillips v. Thompson*, Id. 131.

it appears that this continuance is under and by virtue of the contract.<sup>1</sup>

But mere payment of the purchase-money is not enough,<sup>2</sup> unless, indeed, owing to peculiar circumstances the purchaser cannot be restored to his original position by repayment.<sup>3</sup>

When a parol contract is entered into in consideration of marriage, the solemnization of the marriage is not such a part performance as will take the case out of the statute.<sup>4</sup> Making a will in pursuance of a parol agreement, was held, to be sufficient part performance in a recent case.<sup>5</sup> So also rendering services of a personal or peculiar nature.<sup>6</sup>

A party seeking specific performance cannot rely upon a part performance by the defendant to take the case out of the statute.<sup>7</sup>

<sup>1</sup> *Hodson v. Heuland* [1896], 2 Ch. 428.

<sup>2</sup> *Clinan v. Cooke*, 1 Sch. & L. 40; *Hughes v. Morris*, 2 De G., M. & G. 356; *Purcell v. Miner*, 4 Wall. 513; *Kidder v. Barr*, 35 N. H. 235; *Glass v. Hulbert*, 102 Mass. 21; *Jones v. Newhall*, 115 Id. 244; *Eaton v. Whitaker*, 18 Conn. 222; *McKee v. Phillips*, 9 Watts, 85; *Parker v. Wells*, 6 Whart. 153; *Allen's Estate*, 1 W. & S. 383; *Weise's Appeal*, 72 Pa. 351-355; *Forrester v. Flores*, 64 Cal. 24; *Shipman v. Shipman*, 65 N. J. Eq. 556; *Underhill v. Allen*, 18 Ark. 466; *Lefferson v. Dallas*, 20 Ohio St. 74; *Koenig v. Dohm*, 209 Ill. 468; *Mather v. Scoles*, 35 Ind. 5; *Neal v. Gregory*, 19 Fla. 356; *Peckham v. Balch*, 49 Mich. 179; *Townsend v. Fenton*, 30 Minn. 528; 1 Sug. V. & P. 229 (8th Am. ed.); *Green v. Groves*, 109 Ind. 519; *Biern v. Ray*, 49 W. Va. 128. But in Iowa, payment of the purchase-money is sufficient to take the case out of the statute. *Fairbrother v. Shaw*, 4 Ia. 570; *Olive v. Dougherty*, 3 Greene (Iowa), 371; *Johnston v. Glancy*, 4 Blackf. 94. And in Delaware the rule is the same. *Houston v. Townsend*, 1 Del. Ch. 416; *Townsend v. Houston*, 1 Harr. 532. Payment of the purchase-money in full

and making valuable improvements on land bought is sufficient. *Pembroke v. Logan*, 71 Ark. 364.

<sup>3</sup> *Malins v. Brown*, 4 Comst. 403; *Everts v. Agnes*, 4 Wis. 343; *Johnson v. Hubbell*, 10 N. J. Eq. 332; *Gerber v. Upton*, 123 Mich. 605.

<sup>4</sup> *Caton v. Caton*, L. R. 1 Ch. 137; L. R. 2 H. L. 127; *Flory v. Houck*, 186 Pa. 263, 269, 270; *Russell v. Russell*, 60 N. J. Eq. 282; *Hunt v. Hunt*, 171 N. Y. 396. *Contra*, *Allen v. Moore*, 30 Colo. 307. See *Ungley v. Ungley*, 4 Ch. D. 73; *aff'd* in 5 Id. 887, where there was also a transfer of possession and specific performance was decreed.

<sup>5</sup> *Turnipseed v. Serrine*, 57 S. C. 559.

<sup>6</sup> *Svanburg v. Fosseen*, 75 Minn. 350; *Bryson v. McShane*, 48 W. Va. 126; *Lothrop v. Marble*, 12 S. D. 511; *McCullom v. Mackrell*, 13 Id. 262; *Burns v. Smith*, 21 Mont. 251; *Pike v. Pike*, 121 Mich. 170; *Martin v. Martin*, 108 Wis. 284; *Lynn v. Hockaday*, 162 Mo. 111; *White v. Poole*, 74 N. H. 71. But not if the services are such as are ordinarily compensated for upon a *quantum meruit*. *Cooper v. Colsen*, 66 N. J. Eq. 328.

<sup>7</sup> *Caton v. Caton*, *supra*. See, also, *Luckett v. Williamson*, 37 Mo. 388.

The doctrine of part performance will operate to prevent a vendee who has gone into possession from insisting upon objections to the vendor's title. A waiver of objections may thus be presumed from conduct.<sup>1</sup> The relief, however, if obtained at all, must be sought for in equity. It will not be given in a court of law.<sup>2</sup> In some of the states, however, there are decisions tending to show that there may be a parol waiver of one or more of the terms of a contract which the statute requires to be in writing.<sup>3</sup>

**386. When the reduction of the contract to writing is prevented by fraud.**

The second class of cases in which the Statute of Frauds cannot be insisted upon for the purpose of defeating a parol contract as to realty embraces those in which the reduction of the contract to writing has been prevented by fraud.

Thus, if an intended husband, having promised to reduce a marriage settlement to writing, fraudulently prevents it from being done, and the marriage takes place in consequence of false assurances and contrivances, the circumstance that the agreement rests in parol cannot be taken advantage of in resisting an application for specific performance.<sup>4</sup>

This class of cases, however, falls under the head of actual fraud, and is governed by the rules which apply to that branch of equitable jurisdiction. They are noticed in this connection simply in order to illustrate the rule in equity which forbids the Statute of Frauds to be used as an instrument to defeat the right to specific performance.

In cases, also, of Accident and Mistake, the statute will not prevent the introduction of parol evidence.<sup>5</sup>

**387. When the parol contract is admitted in the answer.**

In the third place, a case will be taken out of the statute when the parol contract is admitted by the defendant in his answer, and the statute is not therein insisted upon as a defence. In such a case there can be no possibility of fraud or mistake; because

<sup>1</sup> *Palmer v. Richardson*, 3 Strobb. Ex. 16.

<sup>2</sup> *Goss v. Ld. Nugent*, 5 B. & Ad. 58.

<sup>3</sup> *Stearns v. Hall*, 9 Cush. 31; *Cummings v. Arnold*, 3 Met. 486; *Buel v.*

*Miller*, 4 N. H. 196; 1 Sug. V. & P. 252 (8th Am. ed.).

<sup>4</sup> See *Montacute v. Maxwell*, 1 P. Wms. 618; *Story's Eq. Jurisp.* § 758; *Wharton's Evidence*, § 911.

<sup>5</sup> *Johnson v. Bragge* [1901], 1 Ch. 36, 37.



nothing could be stronger evidence of the truth and accuracy of the plaintiff's version of the agreement than the written admission by the defendant under oath. And the statute having been made for the protection of the defendant, it is perfectly competent for him to waive its benefit.<sup>1</sup>

If, however, the defendant insists upon the statute as a bar, the written admission in his answer will not avail to take the case out of the statute.<sup>2</sup>

### 388. Specific performance with compensation for defects.

It has been stated above that one of the reasons why the remedy of specific performance was introduced in equity, was because at law the plaintiff is obliged to show on his part precise compliance with all the terms of the agreement, whereas chancery would sometimes afford him relief although he was unable to prove this exact fulfilment. It will be proper now to consider the two methods in which courts of equity grant this indulgence—viz., decreeing performance with compensation for defects, and giving time to make a title beyond the stipulated day.

### 389. When the purchaser may be compelled to take.

And first as to performance with compensation for defects. It is settled that immaterial deficiencies will not deprive the vendor of his right to have the contract performed as against the vendee—provided that the deficiencies are such as may be compensated in money. Under such circumstances the vendee may be compelled to take the property, and a suitable deduction will be made in the price.<sup>3</sup>

<sup>1</sup> See *Gunter v. Halsey*, Amb. 586; *Harris v. Knickerbacker*, 5 Wend. 638; *McGowen v. West*, 7 Mo. 569; *Smith's Manual of Equity*, 252; *Gough v. Williamson*, 62 N. J. Eq. 526; *Cunningham v. Cunningham*, 46 W. Va. 1; *Craver v. Spencer*, 40 Fla. 135; *Pike v. Pike*, 69 Vt. 535; *Browne on Stat. of Frauds*, § 476; *Wharton's Evidence*, § 912.

<sup>2</sup> *Walters v. Morgan*, 2 Coke Ch. 369; *Whitbread v. Brockhurst*, 1 Bro. Ch. 416; *Cooth v. Jackson*, 6 Ves. 37; *Thompson v. Tod*, 1 Pet. C. C. 385; *Thompson v. Jameson*, 1 Cranch

C. C. 295; *Brooks v. Wheelock*, 11 Pick. 439; *Robeson v. Hornbaker*, 3 N. J. Eq. 60; *Story's Eq. Jurisp.* § 757.

<sup>3</sup> *Hepburn v. Auld*, 5 Cranch, 262; *King v. Bardeau*, 6 Johns. Ch. 38; *Harbers v. Gadsden*, 6 Rich. Eq. 284; *D'Wolf v. Pratt*, 42 Ill. 198; *In re Fawcett & Holmes' Contract*, 42 Ch. D. 150; *Phinizy v. Guernsey*, 111 Ga. 346; *Seton v. Slade*, 2 Lead. Cas. Eq. pp. 11, 33. The compensation may take another shape than a sum of money. Thus, in decreeing the specific performance of agreements

But if the deficiencies are material and important, the vendee will not be compelled to take the property.<sup>1</sup> He is entitled to have what he bargained for; and it would, obviously, be extremely unjust to force anything upon him which he had not designed or contracted to buy. If there is a failure in that which is an inducement to the purchase, he will not be compelled to take.<sup>2</sup>

### 390. When he may elect to take; limitations upon this doctrine.

It may sometimes happen that defects exist which render the property less valuable than the contract-price; but which, nevertheless, may not be of so vital a character as to induce the purchaser entirely to throw up his bargain. In such a case the equity of specific performance with compensation comes into play for the benefit of the vendee. He is entitled to have the agreement carried out, and yet at the same time to have an abatement or allowance made by reason of the defects.<sup>3</sup> Such a relief cannot, it is manifest, be obtained at law; and, therefore, is an additional illustration of the advantages of this equitable remedy.<sup>4</sup>

for the partition of coal mines, an allowance of so much coal may be made. *Young v. Frost*, 1 Md. 377; *King v. Ruckman*, 20 N. J. Eq. 316; *Coleman's Appeal*, 62 Pa. 252.

<sup>1</sup> *Whittemore v. Whittemore*, L. R. 8 Eq. 603; *Phinizy v. Guernsey*, 111 Ga. 346.

<sup>2</sup> *Peers v. Lambert*, 7 Beav. 546; *Rugge v. Ellis*, 1 Dess. 160; *Wainwright v. Read*, Id. 573; *Cordingley v. Cheesebrough*, 3 Giff. 496; *Stoddard v. Smith*, 5 Binn. 355; *Marvin v. Bennett*, 8 Paige Ch. 312; *Phinizy v. Guernsey*, 111 Ga. 346; 1 Sug. V. & P. 479 (8th Am. ed.).

<sup>3</sup> *Thomas v. Dering*, 1 Keen, 729; *Keator v. Brown*, 57 N. J. Eq. 600; *Melick v. Cross*, 62 Id. 545; *Powell v. Elliot*, L. R. 10 Ch. 424 (where a bill for specific performance was filed by the vendor, and a cross bill for rescission by the vendee, and the decree was for specific performance with an allowance for misrepresentations as to value); *Wheatley v. Slade*, 4 Sim. 126; *Graham v. Oliver*, 3 Beav. 124; *Nelthorpe v. Holgate*, 1 Coll. 203; *Barker v. Cox*, 4 Ch. D. 464; *Stockton v. Union Oil Co.*, 4 W. Va. 273; *Townsend v. Vanderwerker*, 160 U. S. 171; *Lanyon v. Chesney*, 186 Mo. 540; *McCowan v. Pew*, 147 Cal. 299; *Cowan v. Kane*, 211 Ill. 572; *Kuhn v. Eppstein*, 219 Ill. 154; *Tobin v. Larkin*, 183 Mass. 389; *Melin v. Woolley*, 103 Minn. 498; *Garrett v. Goff*, 61 W. Va. 221.

<sup>4</sup> See *Johnson v. Johnson*, 3 Bos. & Pul. 162. See, also, *Denton v. Stewart*, 1 Cox Ch. 258; *Andrews v. Brown*, 3 Cush. 130; *Harrison v. Deramus*, 33 Ala. 463; *Bell v. Thompson*, 34 Id. 633; *Lee v. Howe*, 27 Mo. 521; *Smith v. Fly*, 24 Tex. 345; *Phillips v. Thompson*, 1 Johns. Ch. 149; *Parkhurst v. Van Cortlandt*, Id. 273; *Scott v. Billgerry*, 40 Miss. 119; *Moras v. Elmendorf*, 11 Paige Ch. 277.

There must, however, be some limits to this right of the vendee to elect to have the contract performed with compensation for defects; because in some instances its exercise would work great injustice to the vendor. Thus a seller could not, for example, at the election of the purchaser, be deprived of his mansion-house and park to which he could make a good title, while a large adjoining estate, held and sold with it, would be left on his hands with a proclaimed bad title.<sup>1</sup>

Nor can a vendor be required to convey a different parcel of land from that agreed to be conveyed.<sup>2</sup>

The right both of the vendor and vendee cannot be exercised unless the defect is one which is capable of being measured by a pecuniary standard; in other words, capable of compensation. The compensation must not be a mere matter of arbitrary damages, or of indemnity for future risk.<sup>3</sup>

### 391. Time to make out a title beyond the day.

The second of the methods in which a court of equity grants indulgence to a party who has been unable to fulfil exactly his part of an agreement, and yet seeks the aid of the court to have it specifically enforced, is by giving time to make out a title beyond the day which the contract specifies. This is done in pursuance of the maxim that time is not ordinarily of the essence of the contract in equity;<sup>4</sup> although it may sometimes become so. What is meant by this maxim and by its qualification is this: A court of equity will relieve against delay and enforce specific performance notwithstanding a failure to keep the dates assigned by the contract, either for the completion, or for the steps towards completion, if it can do justice between the parties, and if there is nothing in the express stipulations between the parties, the nature of the property, or the surrounding circumstances which would make it inequitable to interfere with and modify the legal right. This is what is meant, and all that is meant when it is said that in equity time is not of the essence of the contract.<sup>5</sup>

<sup>1</sup> 1 Sug. V. & P. 316 (480, 8th Am. ed.).

<sup>2</sup> Id. See *Castle v. Wilkinson*, L. R. 5 Ch. 534.

<sup>3</sup> *Adams's Eq.* 91.

<sup>4</sup> Time is, in general, of the essence of the contract at law. *Wilde v.*

*Fort*, 4 Taun. 334; *Steer v. Crowley*, 14 C. B. (N. S.) 337.

<sup>5</sup> *Tilley v. Thomas*, L. R. 3 Ch. 67. In *Hepburn v. Auld*, 5 Cranch, 262, *Brashier v. Gratz*, 6 Wheat. 528, and *Bank of Columbia v. Hagner*, 1 Pet. 455. it was held that, in equity,

### 392. Due diligence required.

An example of the rule now under consideration is where a vendor has undertaken to make a title on a certain day, and has failed to do so by reason of some defect in the title, which defect, however, is susceptible of being cured. It will be observed that the rule, as thus stated, does not apply to those cases in which the delay on the part of the vendor is due, not to any defects in his title which he desires time to remedy, but to his own carelessness and *laches*. Due diligence is required on both sides.<sup>1</sup> A vendor cannot have specific performance if he has been urged by the purchaser to take steps, but has not done so.<sup>2</sup> But where the delay is not due to the *laches* of the seller, but to defects in the title which may be cured, a bill for specific performance may be maintained, for it is sufficient if a party entering into articles to sell has a good title at the time of the decree.<sup>3</sup> The court rectifies

time was not of the essence of a contract. See, also, *Remington v. Irwin*, 14 Pa. 143; *Tiernan v. Roland*, 15 Id. 429; *Bryson v. Peak*, 8 Ired. Eq. 310; *Glover v. Fisher*, 11 Ill. 666; *Dikeman v. Sunday Creek Coal Co.*, 184 Ill. 546; *Reid v. Mix*, 63 Kan. 745. But in *Goldsmith v. Guild*, 10 Allen, 239; *Telegraphphone Corp. v. Telephone Co.*, 103 Me. 444, the court did not approve of the doctrine. See 1 Sug. V. & P. 411 (8th Am. ed.).

<sup>1</sup> *Merritt v. Brown*, 21 N. J. Eq. 401; *Johns v. Norris*, 22 Id. 102; *Davison v. Davis*, 125 U. S. 95; *Dubois v. Baum*, 46 Pa. 537; *Cureton v. Gilmore*, 3 S. C. (N. S.) 46; *Eastman v. Plumer*, 46 N. H. 464, 479; *Rogers v. Saunders*, 16 Me. 92; *Wilkins v. Evans*, 1 Del. Ch. 156 (a case in which delay on the part of the purchaser was excused); *Benedict v. Lynch*, 1 Johns. Ch. 375; *Leaird v. Smith*, 44 N. Y. 618; 1 Sug. V. & P. 261. Specific performance of a contract for the sale of real estate will ordinarily be decreed even though the purchase money was not paid or tendered at the exact time fixed by the contract, when the party seeking the performance has acted

in good faith and with reasonable diligence, unless there has been such a change of circumstances affecting the equity of the parties or the justice of the contract as to make it inequitable that it should be enforced. *Wright v. Astoria Co.*, 45 Oreg. 224.

<sup>2</sup> It is not necessary that a demand for a deed should precede a bill for the specific performance of a contract to convey. This results from the distinction between a suit in equity for specific performance, and an action at law for non-performance, namely, that in the latter the right of action grows out of a breach of the contract, and a breach must exist before the commencement of the action, while in the former the contract itself, and not the breach of it, gives the action. *Bruce v. Tilson*, 25 N. Y. 194; *Welland v. Huber*, 8 Nev. 207.

<sup>3</sup> See *Dresel v. Jordan*, 104 Mass. 415; *Barnard v. Lee*, 97 Id. 92; *Haffey v. Lynch*, 143 N. Y. 241; *Collins v. Park*, 93 Ky. 6; *Spencer v. Sandusky*, 46 W. Va. 582; *Provident Trust Co. v. McIntosh*, 68 Kan. 452; *Harriman v. Tyndale*, 184 Mass. 524.

the incidental delay by giving the intermediate rents to the purchaser, and interest on the purchase-money to the vendor. And where both parties have treated time as not of the essence, a contract may be enforced, although several years have elapsed.<sup>1</sup>

Such, then, is the general rule. It is subject to the qualification that time may be made the essence of a contract by express stipulation of the parties, or by presumption growing out of the nature of the property, or by surrounding circumstances.<sup>2</sup>

### 393. Rule altered by express stipulations, or by presumptions growing out of the nature of the contract.

As to "express stipulations" nothing need be said. It is perfectly clear that parties may stipulate that time shall be essential, and that when such a stipulation exists it ought to be enforced;<sup>3</sup> save, of course, where the party insisting upon the observance of the "time clause" has himself caused the delay<sup>4</sup> or has waived his right to insist by recognizing the existence of the contract after a forfeiture has occurred.<sup>5</sup>

It is also clear that the nature of the subject-matter of the sale may render time of the essence of the contract. The case usually put is that of the sale of a reversion. Trades or manufactories furnish another illustration. The case of mines is still another example; for the whole purpose of the purchase may be the chance of an early development of the mine, and a speedy introduction of its products into the market.<sup>6</sup>

<sup>1</sup> *Robinson v. Trufant*, 97 Mich. 410; *Cleaver v. Taylor*, 39 C. C. A. 338; *Taylor v. Longworth*, 14 Pet. 172.

<sup>2</sup> See *McLaughlin v. Equitable Assurance Society*, 38 Neb. 725; *Dikeman v. Sunday Creek Coal Co.*, 184 Ill. 546.

<sup>3</sup> See *Barnard v. Lee*, 97 Mass. 94; *Patchin v. Lamborn*, 31 Pa. 314; *Ives v. Armstrong*, 5 R. I. 567; *Stow v. Russell*, 36 Ill. 18; *Heckard v. Sayre*, 34 Id. 142; *King v. Ruckman*, 20 N. J. Eq. 316; 21 Id. 599; *Webb v. Hughes*, L. R. 10 Eq. 281; *Bennett v. Hyde*, 92 Cal. 131; *Pier v. Lee*, 14 S. D. 600; *Whiteman v. Perkins*, 56 Neb. 181; *Skeen v. Patterson*, 180 Ill. 289; *Jewet v. Black*, 60 Neb. 173;

*Machold v. Farnan*, 14 Idaho, 258. See *Ebert v. Arends*, 190 Ill. 221, for an exception to the rule.

<sup>4</sup> *Vankirk v. Patterson*, 201 Pa. 90.

<sup>5</sup> *Scannell v. American Soda Fountain Co.*, 161 Mo. 606.

<sup>6</sup> *Macbryde v. Weekes*, 22 Beav. 533; *Parker v. Frith*, 1 Sim. & Stu. 199, n.; *Day v. Luhke*, L. R. 5 Eq. 336; *Claydon v. Green*, L. R. 3 C. P. 511; *Cowles v. Gale*, L. R. 7 Ch. 12; *Newman v. Rogers*, 4 Bro. C. C. 391; *Settle v. Winters*, 2 Idaho, 215; *Durant v. Comegys*, 3 Id. 204; *Adams's Equity*, 88; 1 Sug. V. & P. 403 (8th Am. ed.). See, also, *Land & Water Co. v. Sup. Court of Fresno County*, 93 Cal. 139.

### 394. Surrounding circumstances.

As to the "surrounding circumstances" which may render time of the essence of the contract, they must, of course, depend upon the facts of each particular case; such as whether the value of the property has greatly diminished, whether the vendee has bought to sell again, and so forth.<sup>1</sup> Indeed, in this country, the fact that land bears a much more commercial character than it does in England, is subject to more fluctuations, and has more of a speculative value, has led to not a few expressions of judicial opinion that time ought, as a general rule, to be considered as of the essence of a contract.<sup>2</sup> But, perhaps, the safest statement of the law is to say that the general rule is the same in the United States as in England, but that exceptions, growing out of the circumstances of the individual transactions, are more numerous, and are looked upon with more favor.

It may be added that, under certain circumstances, time may be made the essence of a contract by notice given and by tender of performance and demand, although not originally made so by the terms of the agreement.<sup>3</sup>

### 395. Compensation. *Sir Hugh Cairns's Act.*

It was stated above that the efficiency of the English courts of equity in granting specific relief has been increased by the power conferred upon them of giving damages. This is done by virtue of the Statute 21 and 22 Vict., c. 27, commonly known as Sir Hugh Cairns's Act, which provides that the courts may, either in addition to, or in substitution for the relief which is prayed, grant that relief which would otherwise be proper to be granted by another court—*i. e.*, award damages.

Before this act the law had been the other way. If a purchaser had recourse to equity, and it appeared that the vendor had since the filing of the bill sold the estate to another person, the court could not give the complainant damages. But if pending a suit for specific performance the seller had disposed of part of the property—*e. g.*, stone in a quarry—the court would take care that the purchaser had full compensation in damages.<sup>4</sup> The general

<sup>1</sup> *McKay v. Carrington*, 1 McLean, 50.

<sup>2</sup> See dissenting opinion of Mr. Justice Livingston in *Hepburn v. Auld*, 5 Cranch, 279. See, also, *Richmond v. Gray*, 3 Allen, 30, 31; *Goldsmith v.*

*Guild*, 10 Id. 239; 1 Sug. V. & P. 411 (8th Am. ed.), note.

<sup>3</sup> *Asia v. Hiser*, 38 Fla. 71; *Roberts v. Yaw*, 62 Kan. 43.

<sup>4</sup> 1 Sug. V. & P. 350 (8th Am. ed.).

rule in the United States is the same; but courts have, in some instances, inclined to favor the right to give damages, and to retain the bill to that end.<sup>1</sup> But in England, by the act just cited, damages may be given, and the amount thereof assessed by a jury.<sup>2</sup> Damages, however, will not be given in a case in which a bill for specific performance would not be entertained; for to do so would be simply to turn the equitable remedy into a common-law action.<sup>3</sup>

### 396. Doctrine in the United States.

In some of the United States, either in obedience to statutory enactments, or by virtue of a common law peculiar to the state, the remedy of specific performance may be enforced through the medium of a common-law action.<sup>4</sup> This is especially the case in Pennsylvania, where the action of ejectment has been, and still is, a favorite method of compelling either a vendor or a vendee to fulfil his agreement. In the former case, the purchaser recovers the verdict conditioned upon the payment of the purchase-money by the plaintiff; in the latter, the seller has a verdict, which is to be released upon the payment of the price by the buyer. Certain rules have been thrown around this species of action, growing out of the fact that it is one originally of common-law origin, and, therefore, amenable to strict common-law rules—*e. g.*, tender of a deed before bringing an action—which (it must be remembered) do not apply when relief is sought by a bill of specific performance.<sup>5</sup>

### 397. Parties compelled to make good their representations.

Before leaving the subject of specific performance, it may be

<sup>1</sup> See *Phillip v. Thompson*, 1 Johns. Ch. 131; *Hatch v. Cobb*, 4 Id. 559; *Kempshall v. Stone*, 5 Id. 193; *Jervis v. Smith*, 1 Hoff. Ch. 470; *Murtha v. Curley*, 90 N. Y. 372; *Baily v. Hornthal*, 154 Id. 648-660; *Woodman v. Freeman*, 25 Me. 531; *Nelson v. Hagerstown Bank*, 27 Md. 76; *Nagle v. Newton*, 22 Gratt. 814; *May v. LeClaire*, 11 Wall. 236; *Massons's Appeal*, 70 Pa. 26; *Reeder v. Trullinger*, 151 Id. 287; *Jackson v. Stevenson*, 156 Mass. 496; *Peabody v. Tarbell*, 2 Cush. 226; *Andrews v. Brown*, 3 Id. 131; *Cathcart v. Rob-*

*inson*, 5 Pet. 278; *Holland v. Anderson*, 38 Mo. 55; *Mullen v. McKin*, 22 Colo. 468; *Fry on Spec. Perf.* 449 (2d Am. ed.); 1 Story's Eq. §§ 780, 788; *post*, Chap. III.

<sup>2</sup> Or, now, by the court, *Jaques v. Millar*, 6 Ch. Div. 153.

<sup>3</sup> See *Welsh v. Bayaud*, 21 N. J. Eq. 186; *Campbell v. Rust*, 85 Va. 653; *Mack v. McIntosh*, 181 Ill. 633; *Farson v. Fogg*, 205 Id. 326; 1 Sug. V. & P. 353 (8th Am. ed.).

<sup>4</sup> See *Weber v. Marshall*, 19 Cal. 452; *Fisher v. Moolick*, 13 Wis. 321.

<sup>5</sup> See *ante*, p. 568, note 2.

well to notice the fact that persons may, in some cases, be compelled specifically to perform promises or make good representations upon the faith of which others have acted. This subject, however, has been already noticed under the head of Fraud.

**398. Enforcing negative covenants.**

It may, also, be observed that while a court of equity will not ordinarily attempt to enforce covenants which cannot be carried out by the machinery of the court—*e. g.*, a covenant by a singer to sing, or an actor to perform—it may, nevertheless practically attain the same end by enjoining the party from a breach of his negative covenant, *viz.*, by preventing him from performing elsewhere. This exercise of the power of a chancellor, however, falls more properly under the head of Injunctions, where it will, therefore, be considered.



## CHAPTER II.

## INJUNCTIONS.

## SECTION I.

GENERAL NATURE OF INJUNCTIONS; INJUNCTIONS TO RESTRAIN INFRINGEMENT OF EQUITABLE RIGHTS; AND HEREIN OF INJUNCTIONS TO RESTRAIN PROCEEDINGS AT LAW; OF BILLS OF PEACE; AND OF BILLS OF INTERPLEADER.

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| <p>399. Definition of an injunction.</p> <p>400. Injunctions either mandatory or prohibitory; mandatory injunctions.</p> <p>401. Prohibitory injunctions.</p> <p>402. Character of the equitable remedy by injunction.</p> <p>403. Classification of injunctions; interlocutory and perpetual.</p> <p>404. <i>Ex parte</i>, or at the hearing.</p> <p>405. Common, or special.</p> <p>406. General division of the subject of injunctions.</p> <p>407. Injunctions to restrain proceedings at law; <i>Earl of Oxford's Case</i>.</p> <p>408. Not in the nature of Writs of Prohibition.</p> <p>409. General nature of this jurisdiction.</p> <p>410. General extent of this jurisdiction; equitable titles protected.</p> <p>411. Equitable rights protected.</p> <p>412. Equitable remedies assisted.</p> <p>413. Injunctions to prevent vexatious litigation; election between remedies.</p> | <p>414. Injunctions after the court has assumed jurisdiction of a cause.</p> <p>415. Bills of Peace, two classes; assertion of a common right.</p> <p>416. <i>Sheffield Water Works v. Yeomans</i>.</p> <p>417. General rules as to Bills of Peace of the first class; <i>Phillips v. Hudson</i>.</p> <p>418. Bills of Peace of the second class.</p> <p>419. Bills of Interpleader.</p> <p>420. Bills must show title in two claimants.</p> <p>421. Complainants must claim no interest.</p> <p>422. Debt or duty must be the same.</p> <p>423. Injunctions in aid of proceedings in Bankruptcy.</p> <p>424. In what courts proceedings will be restrained.</p> <p>425. Injunctions in cases of trusts and mortgages.</p> <p>426. Injunctions between partners.</p> <p>427. Restraint of disclosure of confidential communications.</p> |
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**399. Definition of an injunction.**

An injunction in its ordinary sense is a command, and this

command may be either to do or to refrain from doing some particular thing.<sup>1</sup>

An injunction in its legal sense is a writ remedial, issuing by order of a court of equity,<sup>2</sup> and commanding a defendant to perform some act, or restraining a defendant from the commission or continuance of some act.<sup>3</sup>

#### 400. Injunctions either mandatory or prohibitory ; mandatory injunctions.

An injunction may, therefore, be said to be either mandatory or prohibitory. A mandatory injunction is one that compels the defendant to restore things to their former condition, and virtually directs him to perform an act.<sup>4</sup> This jurisdiction of the court to issue such a writ has been questioned;<sup>5</sup> but it is now established beyond doubt.<sup>6</sup>

"This court," said Lord Justice Cotton, in *Loog v. Bean*,<sup>7</sup> "when it sees that a wrong is committed, has a right *at once* to put an end to it, and has no hesitation in doing so by a mandatory injunction, if it is necessary for the purpose."

The form of the order, however, was not, under the old practice, *direct* in its terms; but the end was reached by a writ apparently prohibitory. Thus an injunction that a defendant should deliver up books and papers in his possession has been issued in the following words: "Let an injunction be awarded

<sup>1</sup> Every injunction contemplates the enforcement, as against the party enjoined, of a rule of conduct for the future as to the wrongs to which the injunction relates, and a court of equity may extend an injunction so as to restrain the defendants from dealing not only in non-transferable tickets already issued by complainant, but also in all tickets of a similar nature which shall be issued in the future; and the issuing of such an injunction does not amount to an exercise of legislative, as distinct from judicial, power and a denial of due process of law. *Bitterman v. Louisville & Nashville R. R.*, 207 U. S. 205.

<sup>2</sup> And in some cases by courts of

common law in the exercise of equitable jurisdiction.

<sup>3</sup> *Joyce on Injunctions*, 1; *Hilliard on Injunctions*, Chap. I., § 1.

<sup>4</sup> *Joyce on Injunctions*, 1309, 1310. As to the right of a court of equity to compel the restoration of property to its original condition, see note to *Henry v. Koch*, 22 Am. Law Reg. 394-403.

<sup>5</sup> *Blakemore v. Glamorganshire Canal Navigation*, 1 Myl. & K. 184.

<sup>6</sup> *Robinson v. Lord Byron*, 1 Bro. C. C. 558; *Great North of England Railway Co. v. Clarence Railway Co.*, 1 Coll. 505; *Hervey v. Smith*, 1 K. & J. 392; *Att.-Gen. v. Borough of Birmingham*, 4 K. & J. 547; *Kerr on Injunctions*, 230.

<sup>7</sup> 26 Ch. D. 314.

to restrain the defendant H. from detaining and keeping possession of the books, deeds, documents and papers removed, as mentioned in the plaintiff's affidavit by the said defendant, or by his order, from the chambers occupied by the plaintiff, for retaining which no written authority has been produced by the defendant; and from permitting the same, or any, or either of them to remain away from the office of the plaintiff, or from parting with the same to any person or persons, other than the plaintiff."<sup>1</sup> This order, it will be observed, is in terms a restraining order; but in effect it is a command to the defendant to deliver up the books and papers. But under the modern practice the better form, perhaps, is that the decree should be not only in effect, but in terms, mandatory. Thus, in the case of *The Attorney General of New Jersey v. The Central Railroad of New Jersey*,<sup>2</sup> the language of the directions for the decree for the preliminary injunction was as follows: "That the defendants do desist and refrain from further performing and carrying into effect the lease and tripartite agreement, and that the P. company and the R. company do desist and refrain from continuing to control the road of the C. company, and that the C. company do desist and refrain from permitting the P. company and the R. company to operate its road, and that the C. company *do again resume control of all its property and franchises and performance of all its corporate duties.*" It will be noted that the last of these directions is distinctly mandatory in its terms; and there would seem to be no good reason why this direct form of decree should not be used.<sup>3</sup>

Many occasions may arise which render a mandatory injunction necessary. Thus a party who has diverted water from its proper channel may be compelled by mandatory injunction to restore it.<sup>4</sup> So a mandatory injunction issues to remove a nuisance;<sup>5</sup> to compel the acceptance of freight by a common car-

<sup>1</sup> *Joyce on Injunctions*, 1310. See *Wellington v. Railroad Co.*, 107 Mass. 582, and *Manhattan Mfg. Co. v. New Jersey Stock Yard Co.*, 23 N. J. Eq. 166; *Sedalia Brew. Co. v. S. W. W. Co.*, 34 Mo. App. 49.

<sup>2</sup> 50 N. J. Eq. 52, 489. See, also, *Hall's Appeal*, 112 Pa. 42.

<sup>3</sup> See, also, *Hall's Appeal*, 112 Pa. 55.

<sup>4</sup> *Corning v. Troy Iron Co.*, 40 N. Y. 191; *Lane v. Newdigate*, 10 Ves. 192; *Storer v. Great Western Railway Co.*, 2 Y. & C. Ch. 48; *Cooke v. Chilcott*, 3 Ch. D. 694; *Goodson v. Richardson*, L. R. 9 Ch. 221; *McColom v. Morrison*, 14 Fla. 414; *Green v. Canny*, 137 Mass. 64.

<sup>5</sup> *Gale v. Abbott*, 8 Jur. (N. S.) 987; *Hervey v. Smith*, 1 K. & J. 392; *Van*

rier;<sup>1</sup> to prevent the continuance of trespasses for which there is no adequate legal remedy;<sup>2</sup> and to compel the defendant to deliver up the possession of real estate which had been adjudged to

*Bergen v. Van Bergen*, 2 Johns. Ch. 272; *State of Penna. v. Wheeling Bridge Co.*, 13 How. 518. But not where peculiar hardship results to the defendant. As an example of this a complainant, the owner of a farm, which he rented, situated in Deer Lodge Valley, Montana, brought suit to enjoin the maintenance and operation by defendants of the Washoe copper smelter, on the edge of the valley, on the ground that the fumes and the arsenic predipitated from the smoke from the smelter injured the crops and forage on the farm and poisoned the stock thereon, as well as on the other farms in the valley, and made it a public nuisance. The suit was in reality brought as a test case on behalf of a large number of farmers who were joined in an association. The evidence showed that some injury had resulted to complainant's and other farms in the valley, within the so-called "smoke zone," but that it had been lessened to a large extent by a reconstruction of the plant some two years prior to the suit at large expense, and that since that time the injury to farms in the valley had not been so serious as to render farming and stock raising thereon unprofitable. The smelter was built at a cost of nearly \$10,000,000, and treated about 7,000 tons of ore per day, being practically all of that produced in the Butte district, and its production of copper was from 17 to 20 per cent of that in the United States. The operation of the smelter and the mines tributary thereto constituted one of the chief industries of the state, on which a

large part of the population of Butte and Anaconda and the farms in the vicinity were dependant for a livelihood. It appeared that no better location for the smelter, if as good, could be found elsewhere, and that it was essential to the successful operation of the mines; and it also appeared that the result of granting an injunction as prayed would be to put the complainant and other landowners and farmers in a position where they can compel the defendants either to buy all the lands of the farmers at their own price or lose their own vast property. Held, that an injunction restraining the operation of the smelter would not be granted on the facts shown, but that, if it appeared that any equitable adjustment of the rights of the parties could be made, the case would be retained for that purpose. *Bliss v. Anaconda Copper Mining Co.*, 167 Fed. Rep. 342.

<sup>1</sup> *Coe v. L. & N. R. Co.*, 3 Fed. Rep. 775; *Chicago & A. Ry. Co. v. N. Y., L. E. & W. R. R. Co.*, 24 Id. 516; *Denver & N. O. Ry. Co. v. A., T. & S. F. R. Co.*, 15 Id. 650; *Toledo, Ann Arbor & North Mich. Ry. Co. v. Pennsylvania Co. et al.*, 54 Id. 730; *Wolverhampton & W. Ry. Co. v. London & N. W. Ry. Co.*, L. R. 16 Eq. 433; *Scotfield v. Railway Co.*, 43 Ohio, 571; *Butchers' Co. v. L. & N. R. R. Co.*, 31 U. S. App. 252.

<sup>2</sup> *Manchester Railway Co. v. Work-sop Board of Health*, 23 Beav. 198; *Eachus v. Moss*, 14 Week. Rep. 327; *Martyr v. Lawrence*, 2 De G., J. & S. 261; *Att.-Gen. v. Mid. Kent Railway Co.*, L. R. 3 Ch. 100; *High on Injunctions*, § 478.

belong to the plaintiff by decree.<sup>1</sup> In this last case the injunction is in the nature of a writ of execution. A mandatory injunction is granted only with great caution;<sup>2</sup>—especially upon an interlocutory application, and before final decree;<sup>3</sup> and the inclination of the American courts was, at one time, very much against granting such an interlocutory injunction.<sup>4</sup> The tendency, however, is now towards greater liberality in granting such application,<sup>5</sup> and the decree of the Chancellor of New Jersey, in the case of *The Attorney General v. The Central Railroad of New Jersey*, just cited, which was made on preliminary hearing, and the opinion in the later case of the *Ann Arbor Railroad*,<sup>6</sup> are notable instances of this tendency.<sup>7</sup> In the *Ann Arbor* case a mandatory, preliminary injunction was issued to prevent the Chief Executive of the Brotherhood of Locomotive Engineers from issuing any order to the employes of a railroad whereby they should be commanded to refuse to handle freight, and, also, restraining the defendant companies, their employes and servants, from refusing to receive and deliver the plaintiff's freight. "The office of a preliminary injunction," said Judge Taft,<sup>8</sup> "is to preserve the status

<sup>1</sup> See *Garretson v. Cole*, 1 Har. & Johns. 370; High on Injunctions, § 280.

<sup>2</sup> See *Mayer's Appeal*, 73 Pa. 164; *Post v. Railroad*, 103 Tenn. 184; *Durell v. Pritchard*, L. R. 1 Ch. 250. See, also, *Powell Duffryn Steam Coal Co. v. Taff Vale Railway Co.*, L. R. 9 Ch. 331.

<sup>3</sup> *Turner v. Spooner*, 1 Dr. & Sm. 467.

<sup>4</sup> *Audenried v. Philadelphia & Reading R. Co.*, 68 Pa. 370; *Washington University v. Green*, 1 Md. Ch. 97; *Rogers v. Erie*, 20 N. J. Eq. 379; *Camblos v. Philadelphia & Reading R. Co.*, 30 Leg. Int. 149 (U. S. Cir. Ct. E. D. Penna.). See, also, *The Farmers' R. Co. v. Reno Of Creek & Pit Hole R. Co.*, 53 Pa. 224, and *Fredericks v. Huber*, 180 Pa. 575.

<sup>5</sup> See *Carlisle v. Stevenson*, 5 Md. Ch. 499; *Longwood Valley R. Co. v. Baker*, 27 N. J. Eq. 166. Also, *Pettibone v. Hamilton*, 40 Wis. 402; *Cole*

*Silver Mining Co. v. Virginia Co.*, 1 Sawyer, 685; *Hawover Fire Ins. Co. v. Germania Fire Ins. Co.*, 33 Hun, 539; *Norfolk Trust Co. v. Marye*, 25 Fed. Rep. 644; *Earl Mexborough v. Bower*, 7 Leav. 127; *Smith v. Smith*, L. R. 20 Eq. 500. But it must be a case of great necessity. *Del., Lack. & West. R. Co. v. Cent. Stock Yard Co.*, 43 N. J. Eq. 71; *Id.* 77; *Id.* 605.

<sup>6</sup> *Toledo, Ann Arbor & North Mich. Ry. Co. v. Pennsylvania Co. et al.*, 54 Fed. Rep. 730. This was approved in *Lennon v. Lake Shore Ry.*, 22 U. S. Appeals, 561—where the commitment of an engineer for refusing to obey a mandatory injunction, ordering him to run trains, was sustained.

<sup>7</sup> See, also, *Cooke v. Boynton*, 135 Pa. 102.

<sup>8</sup> *Toledo, Ann Arbor & North Mich. Ry. Co. v. Pennsylvania Co. et al.*, 54 Fed. Rep. 730. The *Toledo & Ann Arbor R. R.* case was approved in *Farmers' Loan & Tr. Co. v. North.*

*quo* until, upon final hearing, the court may grant full relief. Generally, this can be accomplished by an injunction prohibitory in form; but it sometimes happens that the *status quo* is a condition *not of rest, but of action, and the condition of rest is exactly what will inflict the irreparable injury* upon complainant, which he appeals to a court of equity to protect him from. In such a case, courts of equity issue mandatory writs *before the case is heard on its merits.*"<sup>1</sup> In another branch of the same case a like conclusion was reached by Judge Ricks.<sup>2</sup> In England the better opinion is, that a mandatory injunction *may* be had upon interlocutory application.<sup>3</sup>

Indeed, there would seem to be no good reason why, in a proper case, a mandatory injunction should not issue upon preliminary hearing. Gross violations of rights may occur in the shortest possible time; and a few hours' wrong-doing may result in the creation of an intolerable nuisance or in the production of an injury which, if prolonged, might soon become irreparable. In such cases the interposition of the strong arm of the chancellor ought to be most swift; and if the immediate relief afforded could not, in a proper case, be restorative, as well as prohibitory, no adequate redress would, in many instances, be given.<sup>4</sup>

#### 401. Prohibitory injunctions.

A prohibitory injunction, as its name imports, is one which is granted for the purpose of restraining the defendant from the continuance or commission of some act which is injurious

Pac. R. R. Co., 60 Fed. Rep. 810; Chattanooga Termi. Ry. Co. v. Felton, 69 Fed. Rep. 283.

<sup>1</sup> Citing, *inter alia*, Whitecar v. Michenor, 37 N. J. Eq. 6; Broome v. Telephone Co., 42 Id. 141. See, also, Rice Milling Co. v. Romero, 105 La. 439; Gates v. Detroit Ry. Co., 151 Mich. 548.

<sup>2</sup> 54 Fed. Rep. 750; citing, *inter alia*, Beadel v. Perry, L. R. 3 Eq. 465. See the language of Vice-Chancellor Stuart in this last cited case.

<sup>3</sup> Lane v. Newdigate, 10 Ves. 192; Robinson v. Lord Byron, 1 Bro. C. C. 588; Rankin v. Huskisson, 4 Sim. 13;

Hervey v. Smith, 1 K. & J. 392; Att.-Gen. v. Metropolitan Board of Works, 1 Hem. & M. 312; Hepburn v. Lordan, 2 Id. 345; Kerr on Injunctions, 252. See, however, Gale v. Abbott, 8 Jur. (N. S.) 987; Child v. Douglas, Kay, 578.

<sup>4</sup> See Bonner v. Gt. Western Ry. Co., 24 Ch. D. 1, and the remarks of Fry, L. J., on p. 10. If a defendant acts after receiving notice that an injunction is about to be applied for, but before it is issued, he may, if the injunction is granted, be compelled to undo what he has done. Daniel v. Ferguson [1891], 2 Ch. 27.

to the plaintiff. This is by far the more frequent form which the injunction assumes; and it is met with in the every-day exercise of equitable powers. The occasions which call it forth will be explained further on.

#### 402. Character of the equitable remedy by injunction.

The relief afforded by the writ of injunction is probably the most effective, the most characteristic, and the most extensive of equitable remedies. It is most frequently employed (as has been already stated) in its prohibitory form, and it is used to prevent injuries to property which are imminent, irreparable, and for which damages furnish an entirely inadequate redress. With the single exception of the writ of estrepement, no common-law process exists by which injuries to property can be *prevented* as distinguished from being *redressed*; and hence the equitable remedy by injunction possesses a peculiar value, as furnishing a kind of relief which can be obtained in no other *forum*. No remedy, either at law or in equity, can compare with the injunction in promptness and completeness; and hence no equitable remedy has been so frequently or extensively called into play, or has contributed so much to the extension of the jurisdiction of Courts of Chancery.<sup>1</sup>

The remedy afforded by the civil law which approaches most nearly to that given by the injunction, was the *interdict* and action founded thereon. These interdicts were under prætorian authority, and were pronounced by the prætors by virtue of their extraordinary jurisdiction, and in mitigation of the severity which had resulted from an undeviating adherence to the technical forms of the civil law.<sup>2</sup>

Injunctions are of very early occurrence in the history of the English law. Mr. Spence gives an instance of an injunction issued in the reign of Henry I.;<sup>3</sup> and several cases of injunctions are to be found in the Chancery Calendar.<sup>4</sup>

<sup>1</sup> But the operation of this remedy must be confined within proper limits. An injunction, for example, will not be granted the effect of which is to tie up a man's entire property; *Ervin's Appeal*, 82 Pa. 188; or which will restrain public works, unless the clearest abuse is proved. *Wheeler v. Rice*, 83 Id. 232;

*Moore v. Atlanta*, 70 Ga. 611. Nor will equity interfere with political associations where no rights of property are involved. *Kearns v. Howley*, 188 Pa. 116.

<sup>2</sup> See Joyce on Injunctions, 2, note.

<sup>3</sup> Spence's Eq. 108, note a.

<sup>4</sup> The Burgesses of East Retford v. Thomas de Hercy, Chan. Cal. ix. and

#### 403. Classification of injunctions ; interlocutory and perpetual.

Besides the classification into mandatory and prohibitory, there are several other divisions of injunctions.

Injunctions are either interlocutory or perpetual.<sup>1</sup> An interlocutory injunction is one granted upon preliminary application (sometimes when the bill is filed), and before final hearing. It is provisional merely, and concludes no rights. A perpetual injunction, on the other hand, is made only on final decree, and is an adjudication upon the merits of the controversy. It constitutes, in fact, the decree, or part of the decree, in the cause.<sup>2</sup>

#### 404. *Ex parte*, or at the hearing.

Injunctions are either *ex parte*, that is, granted upon the application of the plaintiff, without the defendant being heard; or are such as are granted upon hearing both plaintiff and defendant.<sup>3</sup> An *ex parte* injunction is only granted where, in urgent cases, delay might produce irreparable injury to property, or in similar cases to restrain proceedings at law. It may be granted before the defendant's appearance and without notice to him.<sup>4</sup> The defendant, however, is always given an early opportunity to come in and move to dissolve the injunction.

It is to be observed, moreover, that after bill filed the defendant proceeds at his peril, and has no ground to complain if, by the decree, he is compelled to undo that which has been done after the institution of the suit. Thus, in *Clark v. Martin*,<sup>5</sup> a motion was made to restrain the carrying up a single-storied back building of a house two stories higher. The motion was refused, and the building went on and was completed. On appeal, however, the injunction was granted, and the effect of this was to compel the tearing down of the additional stories.<sup>6</sup>

#### 405. Common or special.

Again: injunctions are (or rather *were*) either common or

x.; *Astel v. Causton*, Id. cviii.; *Edvall v. Hunston*, Id. cxiii.; *Peverell v. Huse*, Id. cxvii.; *Royall v. Garter*, Id. cxxx.; *Hoigges v. Harry*, Id. xxiv.; *ante*, p. 12.

<sup>1</sup> Kerr on Injunctions, Chap. II.

<sup>2</sup> See *Kershaw v. Thompson*, 4 Johns. Ch. 610.

<sup>3</sup> Joyce on Injunctions, 1.

<sup>4</sup> Id. 2.

<sup>5</sup> 49 Pa. 289. See *ante*, p. 578, note 4.

<sup>6</sup> See, also, *Western v. MacDermott*, L. R. 2 Ch. 72; *Durell v. Pritchard*, 1 Id. 244; *Yates v. Jack*, Id. 295; *Warren & Franklin Railway Co. v. Clarion Land Co.*, 54 Pa. 38; *Ives v. Edison*, 124 Mich. 402.



special. The common injunction was one which was granted in aid of or secondary to another equity, as in the case of injunctions to restrain proceedings at law, and it issued of course upon the coming in of the bill, without notice.<sup>1</sup> As soon, however, as the defendant files his answer, he may move to dissolve the injunction; and it is then a question for the discretion of the court whether, on the facts disclosed by the answer, or, as it is technically termed, upon the equity confessed, the injunction shall be at once dissolved, or whether it shall be continued to the hearing.<sup>2</sup>

If the common injunction is obtained before the declaration has been filed in the action at law which the injunction seeks to restrain, it stays all further proceedings in that action. If obtained after the declaration, the defendant (the plaintiff in the action at law) is permitted to go on to judgment, but the injunction stays the execution. If the defendant requires discovery to aid him in the trial at law, proceedings will be stayed on special application, until the coming in of the answer.<sup>3</sup>

The common injunction has been practically abolished in England; as such injunctions are no longer of course, but are granted only upon a bill which makes out a *prima facie* case, and which must be supported by affidavit.<sup>4</sup> In the United States, as a general rule, the common injunction does not exist; but all injunctions are granted on the merits.<sup>5</sup>

Special injunctions are those which are granted upon the merits as disclosed by affidavits. The allowance of a special injunction rests in the sound discretion of the court.<sup>6</sup> It is

<sup>1</sup> High on Injunctions, § 6.

<sup>2</sup> Hoffman v. Livingston, 1 Johns. Ch. 211; Roberts v. Anderson, 2 Id. 202.

<sup>3</sup> Adams's Doct. of Equity, 195.

<sup>4</sup> Stat. 15 and 16 Vict., c. 86, § 58 (Chancery Procedure Act, 1852); Smith's Manual of Equity, 411; Joyce on Injunctions, 1.

<sup>5</sup> Buckley v. Corse, Saxton, 504; Perry v. Parker, 1 Wood & Min. 280; High on Injunctions, § 6.

<sup>6</sup> It has been said, in some cases, that an injunction will be refused when to grant it would cause greater injury than to refuse it. See Normal School v. Cooper, 150 Pa. 80; Heilman v. Lebanon Ry. Co., 175 Id. 188.

But see Bigler v. Penna. Canal Co., 177 Pa. 28, and the remarks of Dean, J., on p. 36. If the legal or equitable rights of the plaintiff are being violated, if he has no adequate remedy at law, if he has been vigilant in asserting his rights, if he comes into court with clean hands, and otherwise meets the general requirements imposed by equitable maxims, he ought not to be refused relief, because to grant it would inconvenience or even injure the wrong-doer—the defendant; for no one can be said to be *injured*, in the eye of the law, when he is compelled to discontinue wrongful acts. In this connection, see Strobel v. Kerr Salt Co.,

granted only on special application, though it may be *ex parte*; and it is usual in the United States to require security before issuing the writ.<sup>1</sup>

#### 406. General division of the subject of injunctions.

The nature of the writ of injunction having been thus briefly noticed, the occasions for the exercise of this equitable remedy must be considered.

The object of the remedy being to prevent an infringement of *rights*,<sup>2</sup> the general division of the subject may naturally be into those cases in which the writ issues for the purpose of protecting equitable rights, and those in which it issues for the purpose of preventing injury to legal rights.<sup>3</sup>

The first class of cases may be subdivided into those in which the writ issues for the protection of equitable rights by enjoining proceedings at law, whereby and wherein such rights may be violated or disregarded, and those in which the writ issues for the protection of such equities when injury is threatened by other means than through legal proceedings—as where the rights of legatees, partners, *cestuis que trustent*, mortgagors and others, are in danger of being violated by the executor or administrator, co-partner, trustee, or mortgagee, as the case may be.

#### 407. Injunctions to restrain proceedings at law; *Earl of Oxford's case*.

And, first, as to the protection of equitable rights by enjoining proceedings at law.

It is well established that equity will interfere to restrain proceedings at law wherever through fraud, mistake, accident, or want of discovery one of the parties in a suit at law obtains, or is likely to obtain, an unfair advantage over the other, so as to make the legal proceedings an instrument of injustice.<sup>4</sup> The

164 N. Y. 303; *Crescent Mining Co. v. Silver King Min. Co.*, 17 Utah, 444, and *McGregor v. Case*, 80 Minn. 214.

<sup>1</sup> High on Injunctions, Chap. XXI.; *Daniels's Chan. Prac.* 1776. See *Bein v. Heath*, 12 How. 168. Instances may occur in which it is not necessary to give security. *Dodd v. Flavell*, 17 N. J. Eq. 255.

<sup>2</sup> An injunctive writ cannot be

used to correct past injuries. *Davis v. Hartwig*, 195 Mo. 380.

<sup>3</sup> The statute in Pennsylvania authorizes the courts to restrain acts which are "contrary to law." It has been held that under this statute an injunction may issue to restrain acts which are contrary to "equity." *Stockdale v. Ullery*, 37 Pa. 486. See *McKane v. Adams*, 123 N. Y. 609.

<sup>4</sup> *Earl of Oxford's Case*, 1 Ch. Rep.

ground of this interference is, that in order to do complete justice every part of the dispute between the parties should be passed upon.<sup>1</sup> Now, in the common-law courts, the rights of parties could, in many instances, receive only a partial consideration, as those courts could not adjudicate equities, and thus only a part of the dispute could actually be decided.<sup>2</sup> It was to afford a remedy to this wrong that chancery interfered and assumed jurisdiction to stay legal proceedings. This jurisdiction is exercised at any stage of the legal cause. Thus, an injunction is sometimes granted to stay trial; sometimes after verdict to stay judgment, sometimes after judgment to stay execution;<sup>3</sup> sometimes to prevent the assignment of the judgment;<sup>4</sup> and sometimes after execution to stay the money in the hands of the sheriff if it is a case of *feri facias*,<sup>5</sup> or to stay the delivery of possession if it is a writ of possession. It is usually granted on the application of the defendant, but the plaintiff may have an injunction, as where a verdict has been rendered against the plaintiff by inequitable means, he may come into chancery to prevent the entry of judgment and to get a new trial. In short, the right to resort to equity does not belong to the defendant alone.

1; 2 Lead. Cas. Eq. 601 (4th Eng. ed.). See, also, *Lyme v. Allen*, 51 N. H. 242; *Ferguson v. Fisk*, 28 Conn. 501; *Weed v. Grant*, 30 Id. 74; *Dehon v. Foster*, 4 Allen, 545; *Hine v. Handy*, 1 Johns. Ch. 6; *Atlantic De Laine Co. v. Tredrick*, 5 R. I. 171; *Smithurst v. Edmunds*, 14 N. J. Eq. 408; *Metler v. Metler*, 18 Id. 270; 19 Id. 457; *Worrell v. The Church*, 23 Id. 96; *Hall v. Piddock*, 21 Id. 311; *Lyon's Appeal*, 61 Pa. 15; *Wistar v. McManes*, 54 Id. 324; *Given's Appeal*, 121 Id. 266; *Bulows v. The Committee of O'Neill*, 4 Dess. 394; *Vennum v. Davis*, 35 Ill. 568; *Davis v. Hoopes*, 33 Miss. 173; *Daniel's Chan. Prac.* 1725; *Gibson v. Am. L. & T. Co.*, 58 Hun, 443. See *Ochsenbien v. Papelier*, L. R. 8 Ch. 695, where the application of the rule to proceedings on foreign judgments was discussed. The injunction in this case was refused. See

upon this subject *Dinsmore v. Neresheimer*, 32 Hun, 204; High on Injunctions, Chap. II, § 2, and *Hilliard on Injunctions*, Chap. VI.

<sup>1</sup> *Kerr on Injunctions*, 13.

<sup>2</sup> See *Johnson v. Christian*, 128 U. S. 374.

<sup>3</sup> *Follansbee v. Scottish-Am. Mfg. Co.*, 7 Ill. App. 498. And even to set aside the sale. *Herbert v. Herbert*, 47 N. J. Eq. 11.

<sup>4</sup> *Kallander v. Neidhold*, 98 Mich. 517.

<sup>5</sup> The common injunction, if obtained after declaration, did not stay proceedings at once, as the plaintiff in the common-law action was at liberty to go on until verdict and then stop. If the injunction was obtained before declaration, it stayed proceedings at once. And see *Bushong v. Rector*, 32 W. Va. 311; *National Park Bank v. Goddard*, 62 Hun, 31; Id. 131 N. Y. 494.

It has been held in England that a *plaintiff* might file a bill to enjoin a defendant from setting up a plea;<sup>1</sup> and the Supreme Court of the United States has said that while its "attention has not been called to any case wherein a bill has been sustained in favor of a *plaintiff* in a proposed action at law to enjoin a defendant from setting up a threatened defence, upon the ground that he is equitably estopped from so doing, we know of no good reason why he should not be permitted to do so, unless his remedy at law be plain, adequate, and complete."<sup>2</sup>

But the party applying for an injunction to restrain a creditor from collecting a debt which has been reduced to judgment must have a proper standing in court. A simple contract-creditor who has *not* reduced his debt to judgment has not such a standing, and a court of equity will not interfere at his instance to prevent a judgment-creditor from issuing process in execution.<sup>3</sup>

The right of the Court of Chancery to exercise this jurisdiction, especially after judgment, was the occasion of the well-known dispute in the reign of James I., between Lord Chancellor Ellesmere and Lord Chief Justice Coke. An action had been tried in the King's Bench, in which the plaintiff lost his verdict in consequence of one of his witnesses being artfully kept away. He then came into chancery, praying discovery from the defendant. The latter refused to answer and was committed to prison for contempt. Indictments were then preferred (at the instance of Coke) against the complainant and his counsel; but they were thrown out by the grand jury. The king then interfered in favor of the chancellor, and made an order on his council book, declaring that he had not exceeded his jurisdiction, and the parties who had preferred the indictment were prosecuted in the star chamber.<sup>4</sup>

Since this dispute the general right of chancery to interfere by injunction, for the purpose of preventing an inequitable use of legal process, has not been questioned in England, and the same rule exists in the United States.<sup>5</sup>

<sup>1</sup> *Stewart v. Railroad Co.*, 2 De. G. & S. 319.

<sup>2</sup> *Davis v. Wakelee*, 156 U. S. 680-686.

<sup>3</sup> See *Artman v. Giles*, 155 Pa. 409-415, where the subject is fully considered, and *Wait on Fraudulent Conveyances*, § 73.

<sup>4</sup> *Earl of Oxford's Case*, 1 Ch. Rep. 1; 2 Lead. Cas. Eq. 601 (4th Eng. ed.).

<sup>5</sup> See, on this subject, *Hilliard on Injunctions*, pp. 187 *et seq* (3d ed.). See case in C. P. of Chester Co., Pa., in the 17th century, cited in *Mr. Lawrence Lewis, Jr., Essay in Hist*

#### 408. Not in the nature of Writs of Prohibition.

It is important to remember that in granting this relief equity does not pretend or assume to interfere with another court. The injunction is *in personam* merely. It is directed to the *party*, not to the court or the officers thereof. It is not, in other words, a writ of prohibition.<sup>1</sup> An injunction, for example, restraining an execution would not issue to the prothonotaries or clerks of the common-law court wherein the judgment had been obtained, but to the plaintiff in the action, forbidding *him* to take any steps towards getting out a writ of execution, and disobedience to this injunction would be a contempt on the plaintiff's part and punishable accordingly.<sup>2</sup>

#### 409. General nature of this jurisdiction.

It is difficult to mark out with precision the exact limits within which a court of equity will interfere with proceedings at law. Some general principles, however, have been well established; and certain recognized cases exist in which the jurisdiction of chancery is assumed.<sup>3</sup>

It may be said on high authority that any fact which clearly proves it to be against conscience to execute a judgment, and of which the injured party could not have availed himself in a court of law, or of which he might have availed himself in a court of law, but was prevented by fraud or accident, unmixed with any fault or negligence in himself or his agents, will justify

Soc. Mag. for July, 1881, where a court sitting as a court of equity reversed the judgment which it had given as a court of law.

<sup>1</sup> Kerr on Injunctions, 14, 15. See *Moore v. Browne*, a case in the Register's Book of the Early Court of Chancery in the Colony of Pennsylvania, p. 31. Appendix to Rawle's Essay on Equity in Pennsylvania, p. 20. See, also, *Mactavish v. Kent*, Circuit Judge, 122 Mich. 242; *Graham v. Citizens' Nat. Bank*, 45 W. Va. 701.

<sup>2</sup> *Wynn v. Newman*, 75 Va. 811. See, moreover, *Cole v. Cunningham*, 138 U. S. 107, where the Supreme Court of the United States affirmed the right of a Massachusetts court to

restrain citizens of that state from prosecuting an action at law in a state court of New York. A court of equity has jurisdiction to enjoin a resident creditor from instituting or prosecuting an action or proceeding in another state, for the purpose of evading the exemption laws of this state and of collecting his claim by subjecting to its satisfaction property or credits which the debtor could claim as exempt if the action or proceeding were brought within the state. *Wierse v. Thomas*, 145 N. C. 261.

<sup>3</sup> *Albright v. Oyster*, 19 Fed. Rep. 849, and note; *Shinkle v. Covington*, 83 Ky. 420; *Denny v. Fronheiser*, 207 Pa. 178.

an application to a Court of Chancery.<sup>1</sup> If the defence is equally available in a court of law, either by application to the court in which the judgment is rendered or by appeal,<sup>2</sup> and no special ground exists growing out of fraud or accident, equity will not interfere.<sup>3</sup> Thus where judgment is obtained at law by means of perjured testimony, equity will not interfere.<sup>4</sup> To warrant relief in equity against a judgment at law, it must be shown not only that injustice had been done,<sup>5</sup> but that the defendant was not guilty of laches about his defence.<sup>6</sup> Thus, in *Lansing v.*

<sup>1</sup> *Marine Ins. Co. v. Hodgson*, 7 Cranch, 332; *North Chicago Mill Co. v. St. Louis Co.*, 152 U. S. 596; *Lazarus v. McGuirk*, 42 La. Ann. 194; *Given's Appeal*, 121 Pa. 266; *Radzuweit v. Watkins*, 53 Neb. 412; *Dowell v. Goodwin*, 22 R. I. 287; *Brown v. Hurd*, 56 Ill. 317. See, also, *Dodge v. Strong*, 2 Johns. Ch. 228; *Duncan v. Lyon*, 3 Id. 356; *Thompson v. Van Buren*, Id. 395; *Foster v. Wood*, 6 Id. 87; *Robinson v. Wheeler*, 51 N. H. 374; *Norton v. Woods*, 22 Wend. 522; *Nye v. Sochon*, 92 Wis. 43; *Cairo, etc., R. Co. v. Titus*, 27 N. J. Eq. 102; *Doughty v. Doughty*, Id. 315; *Borcherling v. Ruckelshaus*, 49 Id. 340; *First Baptist Ch. v. Syms*, 51 Id. 363; *Walter v. Heller*, 90 Ind. 198; *Kan. & Ark. Val. R. R. Co. v. Fitzhugh*, 61 Ark. 341; *Wonderly v. Lafayette Co.*, 150 Mo. 635. See, moreover, *Miller v. McCan*, 7 Paige Ch. 451; *Penn v. Ingles*, 82 Va. 65. The court will not interfere merely because the judgment is irregular; *Baker v. Morgans*, 2 Dow, 526; *Shottenkirk v. Wheeler*, 3 Johns. Ch. 280; *Life Ins. Co. v. Bangs*, 103 U. S. 780; nor because the execution is irregular. *Hastings v. Cropper*, 3 Del. Ch. 165; *Jarvis v. Martin*, 77 Conn. 19; *Kretschmar v. Ruprecht*, 230 Ill. 492.

<sup>2</sup> *Brown's App.*, 66 Pa. 157; *Pollock v. Boyd*, 36 Neb. 369; *Levystein Bros. v. O'Brien*, 106 Ala. 352; *The Mountain Lake Park Ass'n v. Shart-*

*zer*, 83 Md. 10; *Teft v. Booth*, 104 Ga. 590; *Byrne v. Brown*, 40 Fla. 109.

<sup>3</sup> *Hendrickson v. Hinckley*, 17 How. 443; *Knox Co. v. Harshman*, 133 U. S. 154; *Smith v. Worthington's Admr.*, 10 U. S. App. 622; *Skirving v. Nat. Life Ins. Co.*, 19 Id. 442; *Tompkins v. Drennen*, 13 Id. 312; *Woodworth v. Van Buskerk*, 1 Johns. Ch. 432; *Baron de Worms v. Miellier*, L. R. 16 Eq. 554; *Bryan v. Long*, 14 Fla. 366; *Crim v. Handley*, 94 U. S. 652; *Minturn v. Farmer's Loan & Trust Co.*, 3 Comst. 498; *Linn v. Neldon's Admrs*, 23 N. J. Eq. 169; *Lyme v. Allen*, 51 N. H. 242; *Olmsted's Appeal*, 86 Pa. 284; *Blair v. Reading*, 99 Ill. 600; *Twp. of Centre v. Marion County*, 110 Ind. 579; *Guthrie v. Doud*, 33 Ill. App. 68; *Stewart v. Snow*, 5 Ind. Ter. 126; *Gorman v. Bonner*, 80 Ark. 339; *Rowland v. Staniford*, 78 Neb. 343; *Thomas v. Boyd*, 108 Va. 584.

<sup>4</sup> *Camp v. Ward*, 69 Vt. 286; *Md. Steel Co. v. Marney*, 91 Md. 360; *Munro v. Callahan*, 55 Neb. 75; *Donovan v. Miller*, 12 Idaho, 600. Not where judgment is obtained on a false return by a sheriff. *Smoot v. Judd*, 184 Mo. 508.

<sup>5</sup> *Ford v. Hill*, 92 Wis. 188. See *Hockaday v. Jones*, 8 Okla. 156.

<sup>6</sup> *Dey v. Martin*, 78 Va. 1. See, also, *Snider v. Rinehart*, 20 Colo. 456 (where the subject is discussed); *Jackson v. Woodruff*, 57 Ark. 599; *Donovan v. Miller*, 12 Idaho, 600.

Eddy, where a bill was filed to enjoin the collection of a judgment on the ground of usury, and for the *discovery* of the usury, Chancellor Kent refused an injunction, because the usury would have been a good defence at law, and no reason was given why the defendant in the judgment did not seek the discovery while the suit at law was pending. In the same case, also, the chancellor was asked to enjoin the execution because the judgment had been paid; but this was likewise refused, on the ground that the party alleged to be injured had a prompt and adequate remedy at law.<sup>1</sup> The principle is that, as between concurrent jurisdictions, that which first attaches will have the preference,<sup>2</sup> and the necessity for equitable interference has been very much lessened of late years, by the facility with which verdicts are set aside, new trials granted, and judgments opened in courts of common law.

It is a question of some doubt whether the assumption of equitable principles by common-law courts makes any difference in the right of courts of equity to interfere by injunction. It has been decided in New York and Vermont, that the execution of a judgment might be restrained on equitable grounds, although those grounds would, under the modern liberality of common-law courts, have been entertained at law, and would have constituted a good defence there. This line of decisions is based on the general doctrine that the jurisdiction of equity will not be ousted by any subsequent assumption of similar jurisdiction by common-law courts.<sup>3</sup> In other decisions a contrary rule has been held; and it has been decided that equity would not interfere where the defence might have been taken in the ordinary course of legal proceedings.<sup>4</sup> And where the

<sup>1</sup> *Lansing v. Eddy*, 1 Johns. Ch. 49; *Smith v. Lowry*, Id. 320; *Barker v. Elkins*, Id. 465; *Floyd v. Jayne*, 6 Id. 479; *Holmes v. Remsen*, 7 Id. 286; *Roach v. Duckworth*, 95 N. Y. 391; *Murphy v. Wilmington*, 6 Houst. 108.

<sup>2</sup> See *South Eastern Railway Co. v. Brogden*, 3 MacN. & G. 23; *Hoare v. Bremridge*, L. R. 8 Ch. App. 22; *Conover v. The Mayor*, 25 Barb. 513; *Crane v. Bunnell*, 10 Paige Ch. 333; *Simpson v. Hart*, 1 Johns. Ch. 97; *Telford v. Brinkerhoff*, 163 Ill. 439.

The fact that the common-law court has made an error, will not justify chancery in enjoining the judgment. *Graham v. Citizens' Nat. Bank*, 45 W. Va. 701.

<sup>3</sup> *King v. Baldwin*, 17 Johns. R. 384, overruling Chancellor Kent in 2 Johns. Ch. 554; *Viele v. Hoag*, 24 Vt. 46. See, also, *Williams v. Pile*, 104 Tenn. 273.

<sup>4</sup> *Dickerson v. The Commissioners*, 6 Ind. 128. Unless the defendant's failure to do so was due to some cause recognised under the circum-

powers of courts of common law to entertain equitable defences have been conferred by statute, the reason for the interference of chancery would seem no longer to exist.<sup>1</sup>

The fact, however, that a court of law has concurrent jurisdiction with a court of equity, will not prevent the latter from interfering wherever from the special circumstances of the case complete justice could not be done in the former tribunal.

#### 410. General extent of this jurisdiction ; equitable titles protected.

The cases which warrant the interference of courts of equity with the parties to a legal proceeding, are co-extensive with the subjects of equitable jurisdiction. It may be said, generally that an injunction will be granted to restrain an action at law wherever an equitable title is not recognized, or an equitable right not enforced, or where exact and complete justice would not be done between the parties by reason of the want of an equitable remedy.<sup>2</sup> Thus, by running over the heads of equitable jurisdiction, which are pointed out in this work, it will be seen what are the occasions upon which the writ of injunction to stay proceedings at law may issue.

Thus, if a trustee were to assert his legal title by ejectment against the beneficial owner, equity would interfere by injunction. And the remedy applies to implied as well as express trusts.<sup>3</sup>

Equity will also restrain suits at law whereby or wherein the equitable titles growing out of mortgages, and the assignment of *choses in action*, are likely to be disturbed or disregarded.<sup>4</sup>

#### 411. Equitable rights protected.

It has been explained in a former part of this work that certain equitable rights or "equities" grow out of accident, mistake, and fraud ; and the nature of these different heads of juris-

stances as a ground for equitable relief. *Allis v. Hall*, 76 Conn. 329.

<sup>1</sup> *Winfield v. Bacon*, 24 Barb. 154.

<sup>2</sup> See *Sloane v. Clauss*, 64 Ohio, 125.

<sup>3</sup> *Trenton, etc., v. McKelway*, 8 N. J. Eq. 84; *Somerville Commrs. v. Johnson*, 36 Id. 211. See, also, for other instances of relief in cases of trust, *Hunt v. Freeman*, 1 Hamm.

490; *Symons v. Reid*, 5 Jon. Eq. 327; *North Am. Coal Co. v. Dyett*, 7 Paige Ch. 1; *Kerr on Injunctions*, Chap. XI.

<sup>4</sup> *Kerr on Injunctions*, Chap. XIV. See, also, *Hubbard v. Jasinski*, 46 Ill. 160; *Clagett v. Salmon*, 5 Gill & J. 314; *Curd v. Wunder*, 5 Ohio St. 92; *Smithurst v. Edmunds*, 14 N. J. Eq. 408.



diction, and the circumstances under which these equities will be enforced, were attempted to be pointed out and discussed.

In addition to the general relief which is afforded by bills filed expressly to assert these equities, a Court of Chancery will interfere by injunction to restrain parties from asserting legal rights by action at law to the prejudice of equitable rights. Thus, if an instrument which forms the evidence of the title of a party has been lost through accident, the relief required will obviously differ with the position of the plaintiff in respect to the property.<sup>1</sup> If he is out of possession, he will obtain complete relief by filing a bill, because the decree will then be evidence of his title. But if he is in possession, and is the defendant in an action at law, the only relief which he needs is an order restraining the other party from setting up *his* title. This can be accomplished only by the writ of injunction; which may accordingly be obtained in such a case.<sup>2</sup> So also for the purpose of carrying out the general principle that equity will look with disfavor upon a contract which is illegal or against the policy of the law or the provisions of a statute and which has been already noticed under the head of Fraud, a Court of Chancery, where a judgment at law has been obtained in such a transaction, will prevent its enforcement by injunction.<sup>3</sup> These instances will serve to show the necessity for this species of equitable remedy in the three cases of accident, mistake, and fraud. It may be added here that to obtain complete justice it is sometimes necessary that the re-execution or reformation of documents should be ordered, or that instruments should be delivered up and cancelled. This subject will be noticed in the succeeding chapter.

The writ of injunction is also used for the purpose of protecting and enforcing the equities of notice, estoppel, conversion, election, and adjustment, wherever those rights are in danger of being injuriously affected by the proceedings of a common-law court. Thus, a party may be restrained by injunction from asserting in an action at law a legal title against an equitable title of which he had notice;<sup>4</sup> or from setting up some right or title

<sup>1</sup> See Burnt Records Act in Illinois; *Harding v. Fuller*, 40 Ill. App. 643.

<sup>2</sup> See *Maps v. Cooper*, 39 N. J. Eq. 316. Where the vendee has acquired only an equitable interest equity will restrain the vendor from proceeding on a judgment in eject-

ment. *Nibert v. Baghurst*, 47 N. J. Eq. 201. See *Butch v. Lash*, 4 Ia. 215.

<sup>3</sup> *Skipwith v. Strother*, 3 Rand. 214; *Boddie v. Brewing Co.*, 204 Ill. 352; *ante*, § 223.

<sup>4</sup> *Borie v. Satterthwaite*, 180 Pa.

from the enforcement of which he ought to be estopped in equity by some previous conduct or action on his part; or from violating in common-law actions rights acquired under the equitable doctrines of conversion and election; or from disturbing those rights and duties which grow up under the general head of adjustment, and exhibit themselves in the equities of subrogation, exoneration, contribution, and marshalling.<sup>1</sup>

#### 412. Equitable remedies assisted.

Injunctions to restrain proceedings at law are granted not only in those cases in which equitable titles or equitable rights are in danger of being disregarded, but also, in some instances, where more complete justice between the parties may be effected by an equitable remedy.<sup>2</sup> Thus, a man against whom an action has been brought for a matter of account or for that which is the result of an account, has a right, on making out a proper case, to ask a court of equity to have an account there taken, on the ground that the remedy at law is less complete than the remedy in equity. As a corollary to this right, the complainant has the further privilege of asking for an injunction to restrain the suitor in the common-law court from proceeding with the action of account—if any has been there instituted.<sup>3</sup>

So, too, where one of the parties to a common-law action desires to obtain discovery from his adversary, the jurisdiction of a Court of Chancery will be exercised to restrain the other party from proceeding with the action until discovery is obtained.<sup>4</sup>

When the equitable remedy by specific performance has been invoked, the court will not permit an action at law to proceed for the same subject-matter, and the complainant, therefore, will be restrained from proceeding at law for damages.<sup>5</sup> The defendant in the suit may also, by injunction, be restrained from withdrawing the subject of the bill from the jurisdiction of the

542; *Oconto Co. v. Lundquist*, 119 Mich. 264.

<sup>1</sup> *Ferrin v. Errol*, 59 N. H. 234; *Conklin v. Wehrman*, 38 Fed. Rep. 874.

<sup>2</sup> See *Joyce on Injunctions*, 1053 (Part II.); note to *Earl of Oxford's Case*, 2 Lead. Cas. Eq. 613 (4th Eng. ed.); *Chicago, M. & St. P. Ry. v. Pullman Palace Car Co.*, 49 Fed. Rep.

409; *Commercial Bank v. Cabell*, 96 Va. 552.

<sup>3</sup> *Anderson v. Noble*, 1 Drew. 143.

<sup>4</sup> *Wynne v. Jackson*, 2 Russ. 351; *Ld. Portarlington v. Soulby*, 3 M. & K. 104; *Kerr on Injunc.* 27, 28.

<sup>5</sup> *Duke of Beaufort v. Glynn*, 3 Sm. & Giff. 213; *Reynolds v. Nelson*, 6 Madd. 18; *Prothero v. Phelps*, 2 Jur. (N. S.) 173.

court; as where (for example) a bill is filed for the specific performance of the sale of a ship, she may be restrained from leaving port.<sup>1</sup>

A court of equity will not enjoin criminal proceedings,<sup>2</sup> unless they are instituted by a party to a suit already pending before it, and to try the same right that is in issue there.<sup>3</sup>

#### 413. Injunctions to prevent vexatious litigation; election between remedies.

A court of equity frequently interferes by injunction to restrain proceedings at law for the purpose of preventing unnecessary or vexatious litigation. This it does by compelling a party to elect between two remedies; by restraining a party from bringing an action in another court after a court of equity has once obtained possession of a cause; by putting a stop to repeated attempts to litigate the same question; and by interfering to protect a party who is liable to discharge some debt, duty, or obliga-

<sup>1</sup> *Hart v. Herwig*, L. R. 8 Ch. 860. See, also, *Home Ins. Co. v. Howell*, 24 N. J. Eq. 238; *Campbell v. Ernest*, 62 Hun, 620.

<sup>2</sup> *In re Sawyer*, 124 U. S. 210; *Davis, etc., Co. v. Los Angeles*, 189 U. S. 217; *Porter v. Fall*, 34 Ark. 375; and see *post*, § 424; *Hemsley v. Meyers*, 45 Fed. Rep. 283; *World's Columbian Exposition Case*, 18 U. S. App. 42; *Pleasants v. Smith*, 90 Miss. 440; *City of Bainbridge v. Reynolds*, 111 Ga. 758; *Paulk v. Mayor of Sycamore*, 104 Id. 24; *State ex rel. v. Wood*, 155 Mo. 425; *Osborn v. Charlevoix Circuit Judge*, 114 Mich. 655. See, for an exceptional case, *The City of Denver v. Beede*, 25 Colo. 172; *Brown v. Mayor*, 140 Ala. 590, even although it is alleged irreparable damage will be inflicted. *Old Dominion Telegraph Co. v. Powers*, 140 Ala. 220; *Logan v. Cable Co.*, 157 Fed. Rep. 570. Equity will not, as a general rule, interfere by injunction with criminal proceedings; but when a statute or municipal ordinance has

once been declared illegal by a court of law of competent jurisdiction, and other prosecutions thereunder are begun or threatened which will result injuriously to one in the enjoyment of his civil rights of property in which he is protected by general law, equity will interfere by injunction to restrain the same. *Block v. Crockett*, 61 W. Va. 421. And an injunction will issue to restrain the State Dairy and Food Commissioner from placing in the hands of every dealer in the state a bulletin which in effect threatens them with prosecution in case they made use of defendant's products in a form in which they are lawfully sold. *Pratt Food Co. v. Bird*, 148 Mich. 631.

<sup>3</sup> *In re Sawyer*, 124 U. S. 210, per Mr. Justice Gray. See, also, *Arbuckle v. Blackburn*, 51 C. C. A. 122, and the language of Mr. Justice Shiras in *Harkrader v. Wadley*, 172 U. S. 166, citing *Mayor of York v. Pilkington*, 2 Atk. 302, and *Lord Montague v. Dudman*, 2 Vesey, 396.

tion from vexatious suits, by two or more parties severally claiming to be entitled to the benefit of such debt, duty, or obligation.

As to the first of the above instances of equitable interference, it will be sufficient to say, that a Court of Chancery will not permit a man to proceed both in law and in equity at the same time in respect to the same demand, but will compel him to elect in which court he will proceed.<sup>1</sup> To this rule there appears to be but one exception—viz., the case of a mortgagee who is entitled to enforce all his remedies at once. He may foreclose the mortgage, and, at the same time, proceed upon the accompanying bond.<sup>2</sup>

#### 414. Injunctions after the court has assumed jurisdiction of a cause.

After a court of equity has once got possession of a cause, it will not suffer any of the litigating parties to resort to another tribunal.<sup>3</sup> Either a plaintiff or defendant who attempts to do so may be restrained by a motion in the cause.<sup>4</sup> Thus a man who has filed a bill for specific performance is bound to submit his claim for damages to the judgment of the court, and may not proceed at law otherwise than by leave of the court.<sup>5</sup> And so, also, in a suit for the administration of assets, after a decree has been made, the court will not suffer a creditor to institute proceedings at law. Before a decree is made, under which a creditor may come in and prove his debt, the court will not hinder a creditor from pursuing his legal remedies. But after such a decree is entered, he may be restrained from the action at law.<sup>6</sup>

#### 415. Bills of Peace, two classes; assertion of a common right.

Equity interferes by injunction to restrain repeated attempts to litigate the same right. Cases of this kind are usually grouped together in one class, under the head of bills of peace. These bills of peace are of two kinds, and are filed either (first) to pre-

<sup>1</sup> *Hogue v. Curtis*, 1 J. & W. 429; *Fennings v. Humphery*, 4 Beav. 1; *Kerr on Injunctions*, 103.

<sup>2</sup> *Schoole v. Sall*, 1 Sch. & Lef. 176; *Taylor v. Waters*, 1 My. & Cr. 266; *Kerr on Injunctions*, 105, 106; *Van Franklin v. Roberts*, 7 Del. Ch. 16.

<sup>3</sup> *Alexander's Estate*, 214 Pa. 369.

<sup>4</sup> *Reynolds v. Nelson*, 6 Madd. 18; *Frank v. Bassett*, 2 My. & K. 618. See, also, *Spink v. Francis*, 19 Fed. Rep. 670.

<sup>5</sup> *Reynolds v. Nelson*; *Frank v. Bassett*, *supra*.

<sup>6</sup> *Kerr on Injunctions*, 107.

vent the vexatious recurrence of litigation by a numerous class insisting upon the same right; or (second) to prevent the same individual from reiterating an unsuccessful claim.<sup>1</sup>

Bills of peace of the first class occur where there is one general common right to be established against several or a number of distinct persons, whether one person claims or defends a right against many, or many claim or defend a right against one.<sup>2</sup> In such a case a court of equity will interfere to prevent multiplicity of suits, and instead of suffering parties to be harassed by a number of separate suits, each of which only decides the particular right in question between the plaintiff and defendant thereto, will at once determine the general right by decree.<sup>3</sup> The instances of such bills, usually given, were where the lord of a manor claimed a right against the tenants, or the tenants claimed a common right against the lord; or where a parson claimed tithes against his parishioners, or the parishioners alleged a modus against the parson.<sup>4</sup>

#### 416. *Sheffield Water Works v. Yeomans.*

An instance of a more practical character, in modern times, occurred in the case of the *Sheffield Water Works v. Yeomans*.<sup>5</sup> The reservoir of the Sheffield Water Works had burst and occasioned an inundation, by which the property of a large number of persons had been injured. Under an act of Parliament, passed to meet the case, certificates for damages were to be issued to the property-owners, which entitled the holder, after compliance with certain formalities, to a claim against the company in the nature of a judgment. A difference of opinion afterwards arose between the commissioners as to whether their powers had not expired; and a large number (1500) of certificates were delivered by some of the commissioners to Yeomans, who was the

<sup>1</sup> Adams's Doct. of Equity, 199; *Sharon v. Tucker*, 144 U. S. 533, 541, 542.

<sup>2</sup> *Smith v. Bank*, 69 N. H. 254.

<sup>3</sup> *Cadigan v. Brown*, 120 Mass. 493; *Smith v. Smith*, 148 Id. 1; *Lonsdale Co. v. Woonsocket*, 21 R. I. 498; *Att.-Gen. v. Paterson*, 58 N. J. Eq. 1; *City of Albert Lea v. Nielsen*, 83 Minn. 246; *Kinkaid v. Hiatt*, 24 Neb. 562. See *Northcutt v. Turney*, 101 Ky. 314, for a case where two per-

sons who were owners of separate pieces of property were permitted to file a joint bill against a common tort-feasor to protect a common interest. *Fairfield v. Southport Nat. Bank*, 77 Conn. 423; *Muncie Gas Co. v. Muncie*, 160 Ind. 97; *Jordan v. Telegraph Co.*, 69 Kan. 140; *Consolidated Gas Co. v. New York*, 157 Fed. Rep. 849.

<sup>4</sup> Adams's Doct. of Equity, 199.

<sup>5</sup> L. R. 2 Ch. 8.

town clerk, for distribution. A bill was then filed against Yeomans and five of the persons named in the certificates on behalf of themselves and of all others; and a demurrer to this bill was overruled. "It seems to me," said Lord Chancellor Chelmsford, "to be a very fit case, by analogy at least, to a bill of peace, for a court of equity to interpose and prevent the unnecessary expense and litigation which would be thus occasioned, and to decide, once for all, the validity or invalidity of the certificates upon which the rights of all the parties depend."<sup>1</sup>

**417. General rules as to Bills of Peace of the first class ;**  
*Phillips v. Hudson.*

In general, in order that a bill of peace may be maintained, the complainant must first have established his right at law; and a court of equity will, if necessary, direct an issue to be tried for this purpose.<sup>2</sup>

To sustain a bill of peace the right must be one common to all; hence such a bill will not lie against independent trespassers who have no common claim—as, for example, against several booksellers who have infringed a copyright, or against several persons who have at different times obstructed a ferry.<sup>3</sup>

Moreover, it must appear that the rights of all the parties involved in the subject-matter of the controversy can be as fully and completely determined in such single suit as they could be in the several suits.<sup>4</sup>

Nor (it has been held) will a bill, in the nature of a bill of peace, lie to enjoin the enforcement of a tax under the revenue laws, in favor of a number of persons, joined as complainants, whose only interest in common is in resisting the tax, they having no common interest in the subject on which it is levied.<sup>5</sup> But more

<sup>1</sup> Id. 11.

<sup>2</sup> *Tenham v. Herbert*, 2 Atk. 484; *Midford's Pl.* 169; *Eldridge v. Hill*, 2 Johns. Ch. 281; *Bond v. Little*, 10 Ga. 395; *Morgan v. Smith*, 11 Ill. 194; *Gunn v. Harrison*, 7 Ala. 585; *Lowe v. Lowry*, 4 Ham. 77; *Harmer v. Gwynne*, 5 McLean, 313; *Paterson, etc., R. Co. v. Jersey City*, 9 N. J. Eq. 434; *Smith v. McConnell*, 17 Ill. 135.

<sup>3</sup> *Adams's Doct. of Eq.* 200. See, also, *Randolph v. Kinney*, 3 Rand.

394; *Miller v. Grandy*, 13 Mich. 540; *McHenry v. Hazard*, 45 Barb. 657; *Turner v. City of Mobile*, 135 Ala. 73; *City of Albert Lea v. Nielsen*, 80 Minn. 101; *Webb v. Parks*, 110 Ga. 639; *Duaktown Sulphur Co. v. Fain*, 109 Tenn. 57; *Illinois Steel Co. v. Schroeder*, 133 Wis. 561.

<sup>4</sup> *Eureka & K. R. R. Co. v. Cal. & N. Ry. Co.*, 48 C. C. A. 517. See *Hale v. Allinson*, 188 U. S. 56.

<sup>5</sup> *Cutting v. Gilbert*, 5 Blatch. 259; *Schulenberg-Boeckler Lumber Co. v.*

recent cases have laid down a somewhat broader rule. Thus where the owners of distinct parcels of land affected by the same tax joined in a bill to set it aside;<sup>1</sup> or where, even, there is a common interest in the relief sought,<sup>2</sup> the jurisdiction has been sustained.<sup>3</sup>

When a bill of peace is filed for the purpose of establishing a right in which many are interested, it must be filed on behalf of all, and will not lie to establish the right of the complainant only.<sup>4</sup>

Thus, one commoner may file a bill on behalf of himself and of all others to establish a right of common, as against the lord; but he cannot file a bill to establish simply his individual right. The answer to such a complainant is: "If this is a disturbance of your common, why do you not bring your action? You may maintain an action; prove your right of common, prove that the lord has invaded that right, and you will recover at law."<sup>5</sup>

It is enough, however, if one general question exists which is to be determined. Thus a number of persons engaged in the same occupation (plumbers) may join in testing the legality of an ordinance requiring them to take out a license;<sup>6</sup> or different riparian owners of distinct parcels of land may unite to enjoin a higher riparian owner from diverting or polluting the stream;<sup>7</sup> or a person may in one suit assert a right of way against several abutting owners whose interests are distinct.<sup>8</sup> In Milwaukee

Hayward, 20 Fed. Rep. 422; High on Injunctions, 213; *Tribette v. Railroad Co.*, 70 Miss. 182. See, however, *Railroad Co. v. Garrison*, 81 Miss. 257, where *Tribette v. Railroad Co.* is distinguished; *Whitlock v. R. R. Co.*, 91 Miss. 779.

<sup>1</sup> *Thomas v. Auditor General*, 120 Mich. 535.

<sup>2</sup> *Lonsdale Co. v. City of Woonsocket*, 21 R. I. 498; *Virginia-Carolina Chem. Co. v. Home Ins. Co.*, 51 C. C. A. 21.

<sup>3</sup> See, also, *City of Chicago v. Collins*, 175 Ill. 445; *German All. Ins. Co. v. Van Cleave*, 191 Ill. 410, and *Brown et al. v. Canal and Reservoir Co.*, 26 Colo. 66. But in some of these cases the bill was filed on behalf not only of the complainants but

of all others entitled to the same right and suffering from the same violation of it. See cases cited in next succeeding notes. *Spiegler v. City of Chicago*, 216 Ill. 114.

<sup>4</sup> *Phillips v. Hudson*, L. R. 2 Ch. 243.

<sup>5</sup> Id. See, also, *Eldridge v. Hill*, 2 Johns. Ch. 271; *Denton v. Jackson*, Id. 120 (where it was held that one inhabitant could not file a bill on behalf of the town); *Tenham v. Herbert*, 2 Atk. 483; *Cowper v. Clerk*, 3 P. Wms. 155; High on Injunctions, § 54.

<sup>6</sup> *Wilkie v. City of Chicago*, 188 Ill. 444.

<sup>7</sup> *Strobel v. Kerr Salt Co.*, 164 N. Y. 303.

<sup>8</sup> *Stockwell v. Fitzgerald*, 70 Vt. 468.

*Electric Railway & Light Co. v. Bradley*,<sup>1</sup> where a question had arisen as to the legal rate of fare, the defendants and others repeatedly refused to pay the fare demanded, were repeatedly ejected from cars and repeatedly brought suits before justices of the peace.<sup>2</sup> It was held to be a case for equitable relief under this head. So, where a person was in possession of land with a complete legal title, though not all appearing of record, it was held that he was entitled to an injunction to restrain a number of ejectment suits brought against him as to a portion of the premises, since the question was the same as to all of the premises, and might be determined by the proceeding in chancery.<sup>3</sup> But where the relief can be equally afforded by a court of law by means of an order consolidating the suits, an injunction will be refused.<sup>4</sup>

#### 418. Bills of Peace of the second class.

Bills of peace of the second class, viz., those wherein the plaintiff seeks to restrain the defendant from reiterating an unsuccessful claim, originated in the fact that a verdict in an action of ejectment was not conclusive upon the rights of the real parties to the controversy, and successive actions might, therefore, be brought indefinitely upon the same title. In some of the United States this rule has been altered, and two verdicts in favor of the same title are deemed conclusive upon the right. In order, however, to remedy the evil as it existed at common

<sup>1</sup> 108 Wis. 467. See, also, *Southern Pacific Co. v. Robinson*, 137 Cal. 408.

<sup>2</sup> A bill by two street railway companies to enjoin the enforcement of an ordinance regulating the overcrowding of street cars cannot be maintained upon the ground of preventing a multiplicity of suits where the two complainants, operating in different parts of the city, furnish practically all of the street car service of the city, and where so far as appears from the bill, the only dispute is between these two complainants and the city. *City of Chicago v. Chicago City Ry. Co.*, 222 Ill. 560.

<sup>3</sup> *Woods v. Monroe*, 17 Mich. 238; *Bailey v. Tillinghast*, 40 C. C. A. 99.

It is a well-established rule in equity pleading, that in certain cases bills may be filed by one or more persons on behalf of themselves and all others standing in a similar position and claiming the same right. Such are creditors' bills, and bills filed by one or more stockholders in, or creditors of, a company against projectors or directors. See *Watts's Appeal*, 78 Pa. 370; *Spering's Appeal*, 71 Id. 24; *Warner v. Hopkins*, 111 Id. 332; *City of Albert Lea v. Nielsen*, 83 Minn. 246, and *Story's Equity Pleadings*, §§ 97-136, where the subject is discussed.

<sup>4</sup> *Peters v. Prevost*, 1 Paine C. C. 64; *National Park Bk. v. Goddard*, 62 Hun, 31; Id. 131 N. Y. 494; *Mayor of Gainesville v. Dean*, 124 Ga. 750.



law, chancery entertains a bill to enjoin further litigation, after repeated trials at law. This jurisdiction was established by a case in the House of Lords, and is now unquestionable.<sup>1</sup> But where the causes of action are different, equity will not interfere, although the question may be the same.<sup>2</sup>

#### 419. Bills of Interpleader.

The only instance wherein a court of equity interferes to prevent vexatious litigation, which yet remains to be noticed, is the case wherein a bill is filed to protect a party who is liable to discharge some debt, duty, or obligation, from suits by two or more persons severally claiming to be entitled to the benefit of such debt, duty, or obligation. Bills for this object are called bills of interpleader. The ground upon which this jurisdiction rests is that a mere stakeholder ought to be protected as against conflicting claimants.<sup>3</sup> The justice of this rule was recognized at common law, but its application was exceedingly limited, being confined to the old actions of *quare impedit* and writ of right of ward, and to the single personal action of detinue, and then only in the two cases of bailment and accident.<sup>4</sup>

The right of interpleader at law has been extended in England<sup>5</sup>

<sup>1</sup> *Earl of Bath v. Sherwin*, 4 Bro. P. C. (Tomlin) 373. See, also, *Barefoot v. Fry*, Bunb. 158; *Letton v. Goodden*, L. R. 2 Eq. 123; *Marsh v. Reed*, 10 Ohio, 347; *Craft v. Lathrop*, 2 Wall. Jr. 103; *Dedman v. Chiles*, 2 Monr. 426; *Paterson, etc., R. Co. v. Jersey City*, 9 N. J. Eq. 434; *Thompson's App.*, 107 Pa. 559; *Nicoll v. The Trustees of Huntingdon*, 1 Johns. Ch. 166; *Third Avenue R. Co. v. New York*, 54 N. Y. 159; *Patterson v. McCamant*, 28 Mo. 210; *Porter v. Reed*, 123 Id. 587; *Pratt v. Kendig*, 128 Ill. 293; *Boston and Montana Consolidated Copper and Silver Mining Co. v. Montana Ore Purchasing Co.*, 188 U. S. 632; *Lyons v. Importers' Bank*, 214 Pa. 428.

<sup>2</sup> *Mount Zion v. Gillman*, 6 Biss. 479. See, however, *Town of Weston v. Ralston*, 48 W. Va. 170.

<sup>3</sup> *Crawshaw v. Thornton*, 2 My. & Cr. 1; *Kerr on Injunctions*, 118 et

*seq.*; *Farley v. Blood*, 10 Foster, 354; *Bedell v. Hoffman*, 2 Paige Ch. 199; *Cady v. Potter*, 55 Barb. 463; *Lincoln v. Rutland R. Co.*, 24 Vt. 639; *Morse v. Stevens*, 131 Mass. 389; *Mount Holly Co. v. Ferree*, 17 N. J. Eq. 117; *Packard v. Stevens*, 58 Id. 489; *Hastings v. Cropper*, 3 Del. Ch. 105; *Strange v. Bell*, 11 Ga. 103; *Burton v. Black*, 32 Id. 53; *Conley v. Alabama Gold Life Ins. Co.*, 67 Ala. 472; *Harris Banking Co. v. Miller*, 190 Mo. 640; *Pope v. Ames*, 20 Oreg. 199.

<sup>4</sup> *Story's Equity Jurisp.* §§ 801-804. The common-law process of garnishment was in the nature of an interpleader. See 2 *Reeves's Hist. Eng. Law*, pp. 635, 636 (*Finlason's ed.*) for a history of its use.

<sup>5</sup> 1 and 2 Wil. IV., c. 58; 1 and 2 Vict., c. 45, § 2; 23 and 24 Vict., c. 126, § 12. See *Best v. Hayes*, 1 Hurl. & Colt. 718; *Tanner v. European Bank*, L. R. 1 Ex. 261; *Kerr on In-*

and in many of the United States by statute; but in some of the States the remedy is in equity alone, and in others the equitable remedy is necessarily invoked in some cases.<sup>1</sup>

#### 420. Bills must show title in two claimants.

A bill of interpleader must show title in two claimants. Thus, a sheriff who seizes goods on execution cannot file a bill of interpleader to determine adverse claims existing to the property; for the defendant in the execution has no right to hold against the sheriff's levy; whereas, so far as the adverse claimant is concerned, the sheriff is simply a wrong-doer. It has, therefore, been found necessary to protect sheriffs under these circumstances by special statutes.

But where the contest is between the execution-creditor and a party who claims title to the *fund* realized by a sheriff, a bill of interpleader will lie. Thus, in *Child v. Mann*, the sheriff, who was in possession of goods under a *fiery facias*, was served with notice of an adjudication in bankruptcy against the debtor, and notice by the assignee to quit possession. The execution-creditor then obtained an order on the sheriff to make return of the writ, and the sheriff then sold the goods. It was held that the sheriff was entitled to file a bill of interpleader against the assignee and the plaintiff in the execution.<sup>2</sup>

An agent or attorney cannot compel his principal and a third party to interplead, nor can a tenant maintain an interpleader bill against his landlord and a stranger; the reason in these cases being that the attorney, or agent, or tenant cannot be permitted to controvert the title of the party under whom he holds.<sup>3</sup> The possession of a tenant is the possession of the landlord, and it would be exceedingly unjust and vexatious to allow the tenant to put his landlord on the same footing as a stranger. But a tenant may always show that his landlord has parted with his

junctions, 120. If one of the claims is legal, and any other equitable, the remedy is exclusively in equity. Kerr on Injunc. 120.

<sup>1</sup> See *Ramsdell v. Butler*, 60 Me. 216, where the reasoning of the court would seem to do away with the necessity for bills of interpleader as filed by the stakeholder, and render it obligatory upon one of the claimants to resort to equity. But the correct-

ness of this view may well be doubted.

<sup>2</sup> *Child v. Mann*, L. R. 3 Eq. 806.

<sup>3</sup> *Cook v. Roslyn*, 1 Giff. 167; *Crane v. Burntrager*, 1 Cart. (Ind.) 165; *Whitewater, etc., Co. v. Comegys*, 2 Id. 469; *Nickolson v. Knowles*, 5 Madd. 47; Kerr on Injunctions, 122. In *McFadden v. Swinerton*, 36 Oreg. 336, this rule does not seem to have been followed.

title, and hence he may file a bill of interpleader against his landlord, and one who claims derivatively from the landlord by a conveyance subsequent to the commencement of the tenancy.<sup>1</sup>

Nor will a bill of interpleader lie by a debtor against his creditor and a third person who claims the debt, not through any privity with the creditor but by a title paramount to his.<sup>2</sup>

#### 421. Complainants must claim no interest.

A bill of interpleader will not lie where the plaintiff claims an interest in the subject-matter himself.<sup>3</sup> Thus, if an action is brought against an auctioneer for a deposit, he cannot maintain a bill of interpleader if he insists upon retaining either his own commission or the duty.<sup>4</sup>

So, also, where an interpleader bill alleged that the interest on a sum secured by a policy is not due from the company by whom the bill was filed, it was held not sustainable.<sup>5</sup>

It is not necessary that the title of both the claimants be legal; one title may be legal and one equitable, or both equitable.<sup>6</sup> It is essential to an interpleader that the party seeking relief should have incurred no independent liability to either party, and should have acknowledged the title of neither. If he has come under any personal obligation to either of the claimants in respect of the specific property in dispute, independently of the question of title, so that the whole of the rights claimed by the defendants cannot be properly determined by litigation between them, it is not a proper case for interpleader.<sup>7</sup> The cases of landlord and tenant, and principal and agent, already stated, are illustrations of this rule.

<sup>1</sup> *Crawshaw v. Thornton*, 2 My. & Cr. 1, 21; *Stuart v. Welch*, 4 Id. 305; *Ketcham v. Brasil Block Coal Co.*, 88 Ind. 515.

<sup>2</sup> *Third Nat. Bank v. Skillings Lumber Co.*, 132 Mass. 410.

<sup>3</sup> *Dohnert's Appeal*, 64 Pa. 311; *Bridenburg Mfg. Co.'s Appeal*, 106 Pa. 275; *Kilian v. Effingham*, 110 U. S. 568. But see *McFadden v. Swinerton*, 36 Oreg. 336; *ante*, p. 596, note 3.

<sup>4</sup> *Mitchell v. Hayne*, 2 Sim. & St. 63.

<sup>5</sup> *Bigbold v. Audland*, 11 Sim. 23.

<sup>6</sup> See *Hamilton v. Marks*, 5 De G. & Sm. 638; *Lozier's Exrs. v. Van Saun's Admrs.*, 3 N. J. Eq. 325; *Yates v. Tisdale*, 3 Edw. Ch. 71.

<sup>7</sup> *Crawshaw v. Thornton*, 2 My. & Cr. 1; *Pearson v. Cardon*, 2 Rus. & Myl. 606; *Cochrane v. O'Brien*, 2 Jo. & Lat. 380; *Desborough v. Harris*, 5 De G., M. & G. 439, 455; *Cromwell v. Amer. L. & T. Co.*, 57 Hun, 149; *Wakeman v. Kingsland*, 46 N. J. Eq. 113; *Conn. Mut. Life Ins. Co. v. Tucker*, 23 R. I. 1. Though the liability be admitted by mistake. *Mitchell v. N. W. Mfg. & Car Co.*, 26

While, under a strict interpleader bill, the complainant can have no affirmative relief other than that he may be relieved from the responsibility of conflicting claims, yet bills in the nature of bills of interpleader may sometimes be entertained, in which the complainant may have active affirmative relief beyond and in addition to the usual interpleader decree.<sup>1</sup>

#### 422. Debt or duty must be the same.

It is also essential that the debt, duty, or thing claimed by both parties should be the same.<sup>2</sup> Thus, where a purchaser of tea was sued by the seller for the price, and was also sued in trover by the person who alleged himself to be the real owner, it was held not to be a case of interpleader, for the parties were not seeking the same thing. The one was endeavoring to obtain the price of the goods, the other damages for their conversion.<sup>3</sup>

So, also, where an auctioneer, by direction of the owner, had sold to two persons successively, and had received a deposit from each, it was held that the auctioneer could not support a bill of interpleader against the owner and the two purchasers, because, although there was one question in common between the purchasers, viz., which was to be the purchaser of the estate, their claims against the auctioneer were for two different things, viz., by each for his own deposit. The bill was, therefore, dismissed as against the second purchaser with costs, and it was decreed that the seller and the first purchaser should interplead as to the first deposit.<sup>4</sup>

It is not necessary to sustain a bill of interpleader that an action be actually commenced. It is sufficient if claims have been made against the complainant, and he is threatened with a double litigation.<sup>5</sup>

When the complainant's right to interpleader is established either by admissions in the answer or by proofs,<sup>6</sup> he is dismissed with the costs of his litigation, which are to be paid out of the fund, and the conflicting claims of the defendants are then disposed of in the manner best adapted to the circumstances of the case. The bill is considered as putting the defendants to contest

Ill. App. 295; *Standley v. Roberts*, 19 U. S. App. 407.

<sup>1</sup> *Illingworth v. Rowe*, 52 N. J. Eq. 360.

<sup>2</sup> *Hoyt v. Gouge*, 125 Ia. 603.

<sup>3</sup> *Slaney v. Sidney*, 14 Mees. & W.

800; *Rauch v. Fort Dearborn Nat. Bank*, 223 Ill. 507.

<sup>4</sup> *Hoggart v. Cutts, Cr. & Ph.* 197.

<sup>5</sup> *Richards v. Salter*, 6 Johns. Ch. 445; *Kerr on Injunctions*, 120.

<sup>6</sup> *Statham v. Hall, Turn. & R.* 30

their respective claims just as a bill by an executor or trustee to obtain the direction of the court upon the adverse claims of the different defendants. If, therefore, at the hearing the question between the defendants is ripe for a decision, the court decides it; if not, it directs an action or an issue, or a reference to a master, as may be best suited to the nature of the case. An issue or a reference is generally the most cheap and efficacious mode of settling the controversy between the defendants; and the expense of an action at law or of an original bill to be filed under the direction of the court can seldom be necessary.<sup>1</sup>

### 423. Injunctions in aid of proceedings in Bankruptcy.

The Revised Statutes of the United States provide, in § 720, that "the writ of injunction shall not be granted by any court of the United States to stay proceedings in any court of a state except in cases where such injunction may be authorized by any law relating to proceedings in bankruptcy."

Under the former Act of Congress of March 2, 1867, to "Establish a Uniform System of Bankruptcy throughout the United States," injunctions might be granted to stay proceedings at law, both for the benefit of the creditors of the debtor, and for the benefit of the debtor himself. Thus, the Federal District Courts could interfere, by injunction, in cases of involuntary bankruptcy, to restrain the debtor and any other person, during the pendency of the rule to show cause, from making any transfer or disposition of the debtor's property, and from any interference therewith; and the Circuit Courts had the power to hear and determine as courts of equity all cases and questions arising under the Act.<sup>2</sup> Under these sections a creditor might be restrained from using the process of state courts where its use would violate or defeat the provisions of the Bankrupt Act. As, for example, if a plaintiff in a judgment were proceeding by execution, when the judgment was confessed, or the levy thereunder procured to be made with the knowledge on the part of the plaintiff that the defendant was insolvent, or in contemplation of insolvency,

<sup>1</sup> *City Bank v. Bangs*, 2 Paige Ch. 572; *Atkinson v. Marks*, 1 Cow. 696; *Jones v. Gilham*, Cooper's R. 49; (See *Hendry v. Key*, 1 Dickens, 291, n.); *Brymer v. Buchanan*, 1 Cox Ch. Cas. 425; *Hodges v. Smith*, Id. 357; *Aldridge v. Thompson*, 2 Bro. C. C. 149;

*Duke of Bolton v. Williams*, 4 Id. 297; *Angel v. Hadden*, 16 Ves. 203.

<sup>2</sup> Act of Congress of March 2, 1867, 14 Stat. at Large, 518, §§ 2 and 40. See Bump's *Law of Bankruptcy*, 43 446, (10th ed.).

and with the intent to give a preference, or to defeat or delay the operation of the Act. This jurisdiction was exercised sometimes by the District Court under the provisions of the 40th section, and sometimes by the Circuit Court by virtue of the equity powers conferred by the 2d section.<sup>1</sup>

An injunction to restrain an action at law could also be obtained for the benefit of the bankrupt, by virtue of the 21st section of the Act, which provided that no creditor whose debt was provable under the act should prosecute to final judgment any suit at law or in equity therefor until the question of the debtor's discharge should have been determined. Before the election of an assignee this injunction can be obtained only by the bankrupt; after such election the assignee is the proper party to apply.<sup>2</sup>

The Bankruptcy Act of 1898 provides, in § 11, for a stay of actions against the person who files a petition to be adjudged a bankrupt. The Act also authorizes the United States courts sitting as courts in bankruptcy to make such orders as may be necessary for the enforcement of the provisions of this Act. Under the statute the proper Federal courts are entitled to issue writs of injunction to stay further proceedings on the part of plaintiffs or others in state courts where such proceedings interfere with the exercise of bankruptcy jurisdiction or with the proper marshalling of assets for distribution under such jurisdiction.

The authority of the Federal courts to interfere with proceedings in state courts where such interference was necessary under bankruptcy acts, was the subject of discussion in *Ex parte Christy*,<sup>3</sup> and also in *Norton v. Boyd*.<sup>4</sup> This jurisdiction has been sustained, not only under the Act of Congress of 1841, but also under that of 1867 and that of 1898.<sup>5</sup>

It will be observed, however, by reference to these authorities, that the Federal courts will not exercise this power of in-

<sup>1</sup> *Irving v. Hughes*, 7 Am. Law Reg. (N. S.) 209; High on Injunctions, Chap. IV. See, under the English Act, *Ex parte Rumboll*, L. R. 6 Ch. 842.

<sup>2</sup> Brightly's Bankruptcy Act, 49.

<sup>3</sup> 3 Howard, 293; and see, particularly, the language of Story, J., on pp. 318 and 319

<sup>4</sup> 3 Howard, 426.

<sup>5</sup> *Ray v. Norworthy*, 23 Wall. 128; *Factors & Traders' Ins. Co. v. Murphy*, 111 U. S. 738; *In re Pittelkow*, 1 Nat. Bankruptcy News, 234; 92 Fed. Rep. 901; *In re Kellogg*, 121 Fed. Rep. 333; 57 C. C. A. 547; Black on Bankruptcy, pp. 159 and 161.

interference unless there is some distinct equity shown to call it into play.

#### 424. In what courts proceedings will be restrained.

Before leaving the subject of injunctions to restrain proceedings at law, it will be proper to say a few words as to the question "what are the courts in which proceedings will be restrained?"

Equity will interfere not only in proceedings in common-law courts, but also to restrain parties to proceedings in ecclesiastical courts,<sup>1</sup> in courts of admiralty,<sup>2</sup> in foreign courts,<sup>3</sup> and in courts of bankruptcy to the extent of restraining a party from commencing proceedings in bankruptcy,<sup>4</sup> but not to the extent of interfering with the distribution of the bankrupt's estate after the jurisdiction of the bankrupt court has once attached.<sup>5</sup> Nor will a Court of Chancery restrain proceedings in a court of admiralty, where the latter tribunal has full power and jurisdiction to examine the matter.<sup>6</sup>

Proceedings in criminal courts will not be interfered with by injunction unless the proceedings are commenced by a person who is also plaintiff in equity, relative to the same matter.<sup>7</sup>

Courts of equity are, in general, unwilling to interfere with tribunals which derive their authority from a distinct and independent source. For instance, a court of one state is slow to interfere with the tribunals of a sister state, and Federal

<sup>1</sup> *Hill v. Turner*, 1 Atk. 515.

<sup>2</sup> *Glascott v. Lang*, 3 My. & Cr. 451; 2 Phillips, 310; *Jarvis v. Chandler*, T. & R. 319.

<sup>3</sup> *Lord Portarlington v. Soulby*, 3 My. & K. 108 (disapproving of *Lowe v. Baker*, Freem. 125); *Bunbury v. Bunbury*, 1 Beav. 318; *Carron Iron Co. v. Maclaren*, 5 H. L. Cas. 416; *Graham v. Maxwell*, 1 MacN. & G. 71; *Baillie v. Baillie*, L. R. 5 Eq. 175; *Hope v. Carnegie*, L. R. 1 Ch. 320; *Dehon v. Foster*, 4 Allen, 545; *Great Falls Mfg. Co. v. Worster*, 3 Foster, 462; *Griggs v. Docter*, 89 Wis. 161. In *Liverpool, etc., Co. v. Hunter*, L. R. 4 Eq. 62, and *In re Chapman*, 15 Id. 75, an injunction was, under the circumstances, refused.

<sup>4</sup> *Attwood v. Banks*, 2 Beav. 192.

<sup>5</sup> *Thompson v. Derham*, 1 Hare, 358; *Morley v. White*, L. R. 8 Ch. 214.

<sup>6</sup> *Anon.*, 3 Atk. 350.

<sup>7</sup> *Holderstaffe v. Saunders*, 6 Mod. 16; *Mayor of York v. Pilkington*, 2 Atk. 302; *New Home Sew. Mach. Co. v. Fletcher*, 44 Ark. 139; *Hargett v. Bell*, 134 N. C. 394. See, however, *Atlanta v. Gate City Gas Co.*, 71 Ga. 106, and the *Milwaukee Elec. Ry. & Light Co. v. Bradley*, 108 Wis. 467. See, also, *Kerr v. Corp. of Preston*, 6 Ch. D. 463, where Mayor of York v. Pilkington is criticised. For a discussion of the rule that courts of equity have no jurisdiction in matters of crime, see article in 18 Am. Law Rev. 599, and 31 Am. Law Reg. and Rev. 782.

courts with state courts.<sup>1</sup> But this is a rule of comity only, and cannot, therefore, be regarded as a principle to which courts of equity would feel bound under all circumstances to adhere.

A court of equity may sometimes restrain proceedings in another court of equity.<sup>2</sup>

Thus, where there were two claimants of a fund, and one filed a bill against a stakeholder without making the other a party, the stakeholder was held to be entitled to file an interpleader bill, and restrain the proceedings in the former suit.<sup>3</sup> And so, also, where it is shown that the decree in another court of equity has been obtained by fraud, an injunction will be granted.<sup>4</sup>

Tax officers are frequently restrained from levying and collecting taxes; and the jurisdiction of chancery on this point is now undoubted.<sup>5</sup> There are, however, limits to this jurisdiction. It has been held by the Federal courts that an injunction bill

<sup>1</sup> *Diggs v. Wolcott*, 1 Cranch, 179; *Hutchinson v. Green*, 6 Fed. Rep. 833; *Carson v. Dunham*, 149 Mass. 52. The Federal courts are forbidden to stay proceedings in any state court, Act of 1793, ch. 22, § 5; 1 stat. at Large, 334; *Hemsley v. Myers*, 45 Fed. Rep. 233.

<sup>2</sup> See *Wonderly v. Lafayette Co.*, 150 Mo. 635, where a state court enjoined the plaintiff in a judgment of a Federal court from proceeding. See, also, *Kempson v. Kempson*, 58 N. J. Eq. 94. See *Hampton v. Mayes*, 4 Ind. Ter. 503. "An injunction to stay proceedings on a judgment or final order of a court shall not be granted in an action brought by the party seeking the injunction in any other court than that in which the judgment or order was rendered or made." § 2510, Ind. Ter. St. 1899.

<sup>3</sup> *Grand Rapids Furniture Co. v. Haney Furniture Co.*, 92 Mich. 558. See *Pond v. Harwood*, 139 N. Y. 111; *North B. & M. Ins. Co. v. Lathrop*, 25 U. S. App. 443.

<sup>4</sup> *Prudential Ins. Co. v. Thomas*, L. R. 3 Ch. 74.

<sup>5</sup> *Stevens v. C. N. Bank*, 144 N. Y. 50.

<sup>6</sup> *Pollock v. Farmers' Loan & Trust Co.*, 157 U. S. 429; *Gregg v. Sanford*, 28 U. S. App. 323; *Burnet v. Cincinnati*, 3 Ham. 72; *Fremont v. Boling*, 11 Cal. 380; *Baltimore v. Porter*, 18 Md. 284; *Comm. v. Supervisors*, 29 Pa. 121; *Miller v. Gorman*, 38 Id. 309; *St. Mary's Gas Co. v. Elk Co.*, 168 Id. 405 (to be distinguished from *Moore v. Taylor*, 147 Id. 481); *Spencer v. School District*, 15 Kan. 259; *Webster v. Harwinton*, 32 Conn. 13; *Johnson v. Duer*, 115 Mo. 366; *Winifrede Coal Co. v. Board of Education*, 47 W. Va. 132; *Wiggins v. Atchison*, *Topeka and Santa Fe R. Co.*, 9 Okla. 118; *Birdseye v. The Village of Clyde*, 61 Ohio, 27; *Chicago, Burlington and Quincy R. R. Co. v. City of Nebraska*, 53 Neb. 454; *Lewis v. Boguechitto*, 76 Miss. 356; *Chicago Ry. Co. v. Vollman*, 213 Ill. 609; *Acme Brewing Co. v. Fletcher*, 109 Ga. 463; *Alexander v. Henderson*, 105 Tenn. 431; *Harmon v. City of Omaha*, 53 Neb. 164; *Hilliard on Injunc.* 503 *et seq.* (3d ed.); *Campbell v. Bryant*, 104 Va. 509; *Hanberg v. Storage Co.*, 231 Ill. 32; *Hemple v. Hastings*, 79 Neb. 723.



to restrain the collection of a tax cannot be maintained on the sole ground of the illegality of the tax, but must present a case which falls within some recognized head of equity;<sup>1</sup> and it is also an established rule in the same courts that no one can be permitted to go into a court of equity to enjoin the collection of a tax until he has shown himself entitled to the aid of the court by paying so much of the tax assessed against him as it can be plainly seen he ought to pay.<sup>2</sup>

<sup>1</sup> *Hannewinkle v. Georgetown*, 15 Wall. 543; *Dows v. Chicago*, 11 Id. 108; *State Railroad Tax Cases*, 92 U. S. 575; *Milwaukee v. Koeffler*, 116 Id. 219; *Shelton v. Platt*, 139 Id. 594; *Allen v. Pullman's Palace Car Co.*, Id. 658; *Ogden City v. Armstrong*, 168 U. S. 236; *Pittsburg, etc., Ry. v. Board of Pub. Works*, 172 Id. 37. See, also, *Robinson v. Wilmington*, 25 U. S. App. 144; *Taylor v. Louisville & N. R. Co.*, 31 C. C. A. 544; *Kansas City, F. & M. R. R. Co. v. King*, 57 C. C. A. 278; *Mooers v. Smedley*, 6 Johns. Ch. 27; *Le Roy v. Corp. of N. Y.*, 4 Id. 354; *Mercantile Nat. Bank v. Mayor of New York*, 172 N. Y. 35; *Hallett v. Arapahoe Co.*, 40 Colo. 308; *Dumars v. City*, 16 Colo. App. 379; *Dodd v. Hartford*, 25 Conn. 239; *Greene v. Mumford*, 5 R. I. 478; *Messeck v. Supervisors*, 50 Barb. 190; *Ludlow & Cincinnati Coal Co. v. City of Ludlow*, 102 Ky. 354; *Blue Jacket Copper Co. v. Scherr*, 50 W. Va. 533; *Laird, etc., Co. v. County of Pine*, 72 Minn. 409; *Clinton School District's App.*, 56 Pa. 315; *Hewitt's App.*, 88 Id. 55; *Fleming v. Mershon*, 36 Ia. 413; *Swinney v. Beard*, 71 Ill. 27; *Leitch v. Wentworth*, Id. 146; *McConkey v. Smith*, 73 Id. 313. See *Melvin v. Lisealy*, 72 Id. 63; *Nunda v. Crystal Lake*, 79 Ill. 311; *Second Nat. Bk. of Titusville v. Caldwell*, 13 Fed. Rep. 429, and cases cited in note, p. 441; *Equitable Trust Co. v. Donahue*, 8 Del. Ch. 422; *Ensley v. McWilliams*,

145 Ala. 159; *State v. Wood*, 155 Mo. 425; *Schaffner v. Young*, 10 N. D. 245; *McConnell v. Hampton* 164 Ind. 547; *Stephens v. Texas Ry. Co.*, 100 Tex. 177; *Crocker v. Scott*, 149 Cal. 575.

<sup>2</sup> *National Bank v. Kimball*, 103 U. S. 732; *State Railroad Tax Cases*, 92 Id. 575-617; *Northern Pacific Railroad Co. v. Clark*, 153 Id. 252-272; *Dayton v. Multnomah County*, 34 Oreg. 241; *De Loughrey v. Hinds*, 23 Mont. 260; *Collins v. Green*, 10 Okla. 244; *Alliance Trust Co. v. Multnomah Co.*, 38 Oreg. 433; *Blue Jacket Copper Co. v. Scherr*, 50 W. Va. 533; *Grand Rapids Ry. Co. v. Grand Rapids*, 137 Mich. 587; *Douglas v. Fargo*, 13 N. D. 467; *City of Jeffersonville v. Bridge Co.*, 169 Ind. 645. Where a corporation has paid the full amount of its tax as based upon the same rate as that levied upon other property of the same class, equity will restrain the collection of the excess illegally assessed, there being no adequate remedy at law, when it appears that it would require a multiplicity of suits against the various taxing authorities to recover the tax and that a portion of it would go to the state against which no action would lie, and where the amount is so great that its payment would cause insolvency, and a levy upon the property—as in this case a street car system—would embarrass and injure the public. *Raymond v. Chicago*

In a proper case, however, relief will be granted; and this will be so not only where the property of the complainant himself is the subject of the tax,<sup>1</sup> but also in those cases in which his sole interest is that of a tax-payer seeking to have the constitutionality of the tax settled.<sup>2</sup> Indeed, in some of the cases just referred to, a more liberal interpretation seems to be put upon the jurisdiction of chancery than in the decisions of the Supreme Court of the United States.<sup>3</sup>

In a recent case in Illinois the rule was thus stated: "The jurisdiction can only be exercised and the relief granted by way of injunction when it is necessary to prevent a multiplicity of suits, remove a cloud from title, relieve against fraud, accident or mistake, avoid irreparable mischief, or afford some remedy for which the law is inadequate. The mere illegality of a tax or a threat to sell property to pay it, ordinarily affords no ground for interference, but the party must seek a remedy at law. If officers proceed to impose a tax which the law has not authorized, or lay it for fraudulent or unauthorized purposes, then a court of equity will interpose to afford protective relief by restraining the exercise of powers perverted to fraudulent and oppressive purposes."<sup>4</sup>

A court of equity will also, at the suit of a tax-payer, restrain the illegal disposition of municipal or county moneys, or the creation of an illegal debt which the tax-payer, in common with others, might be obliged to pay.<sup>5</sup>

Union Traction Company, 207 U. S. 20.

<sup>1</sup> The bill can only be filed by one who is a taxpayer. *Board of Education v. Guy*, County Auditor, *et al.*, 64 Ohio, 434.

<sup>2</sup> *Page v. Allen*, 58 Pa. 345; *St. Clair School Board's Appeal*, 74 Id. 252; *Pittsburg's App.*, 70 Id. 142. See, also, *Wheeler v. Philadelphia*, 77 Id. 338; *Gould v. Mayor of Atlanta*, 55 Ga. 677; *Lewis v. Spencer*, 7 W. Va. 689; *Schumm v. Seymour*, 24 N. J. Eq. 143, and *Union Pac. R. Co. v. Cheyenne*, 113 U. S. 525.

<sup>3</sup> On similar principles a man whose business is threatened to be interfered with by a board of health on the ground that it is a nuisance, may

obtain an injunction. See *Weil v. Ricord*, 24 N. J. Eq. 169; *McIntyre v. Storey*, 80 Ill. 127. See, however, *Watertown v. Mayo*, 109 Mass. 315.

<sup>4</sup> *Williams v. Dutton*, 184 Ill. 608. See, also, *O. & C. R. R. Co. v. Jackson Co.*, 38 Ore. 589; *Correll v. Smith*, 221 Ill. 149.

<sup>5</sup> *Crampton v. Zabriskie*, 101 U. S. 601; *New London v. Brainerd*, 22 Conn. 552; *The Liberty Bell*, 23 Fed. Rep. 843; *McCord v. Pike*, 121 Ill. 288; *Solomon v. Fleming*, 34 Neb. 40; *Ackerman v. Thummel*, 40 Neb. 95; *Mueller v. Eau Claire Co.*, 108 Wis. 304; *Tukey v. City of Omaha*, 54 Neb. 370; *Clarksdale v. Broadbudd*, 77 Miss. 667; *Dodge v. Van Buren*

Jurisdiction exists, moreover, to restrain the exaction by transportation companies of rates of carriage which are unjust and unreasonable; and while there is no authority in the courts to lay down rules as to what rates are reasonable and fair, they are entitled to prevent the imposition of such charges as would work a practical destruction to rights of property.<sup>1</sup>

A court of equity will not interfere to restrain the exercise of executive discretion.<sup>2</sup>

Circuit Judge, 118 Mich. 189; Reynolds v. Waterville, 92 Me. 292; Chamberlain v. City of Tampa, 40 Fla. 74; Kyes v. St. Croix Co., 108 Wis. 136; George v. Cleveland, 53 Neb. 716; Meyer v. Town of Boonville, 162 Ind. 165; Holden v. City of Alton, 179 Ill. 318; Burke v. Snively, 208 Ill. 328; Lindblad v. Board of Education, 221 Id. 261; Balch v. Beach, 119 Wis. 77; Dixon v. Greene Co., 79 Miss. 794; Bates v. Mayor, 1 Alaska, 208; Castle v. Secretary, 16 Haw. 769; Blood v. Beal, 100 Me. 30; Bates v. City of Hastings, 145 Mich. 574; Kellogg v. School District, 13 Okla. 285; Johnson v. Black, 103 Va. 477.

<sup>1</sup> See the remarks of Brewer, J., in Reagan v. Farmers' Loan and Trust Co., 154 U. S. 397. Where a state railroad commission, which is granted power by the state constitution to make and enforce rates, enacts and attempts to enforce rates which are so low as to be confiscatory, the proper remedy is by bill in equity to enjoin such enforcement, and such a suit against the members of the commission will not be bad as one against the state, but it should not be commenced until the rate has been fixed by the body having the last word. Prentiss v. Atlantic Coast Line, 211 U. S. 210. An injunction will be issued to suspend the enforcement of a rate fixed by the legislature of a state at which gas is to be supplied if such rate is con-

fiscatory, but a court of equity hesitates to interfere by injunction to suspend the rate before it goes into operation and a fair trial is made. Wilcox v. Consolidated Gas Co., 212 U. S. 19.

<sup>2</sup> State of Mississippi v. Johnson, 4 Wall. 475; Kirwan v. Murphy, 189 U. S. 54; Cope v. Hastings, 183 Pa. 300; Warner v. Hastings, Id. 324. See, also, remarks of Agnew, J., in Patterson v. Barlow, 60 Pa. 74, and State v. Superior Court of Milwaukee Co., 105 Wis. 651; Southern Mining Co. v. Lowe, 105 Ga. 352; Canal Comrs. v. Village of East Peoria, 179 Ill. 214; Baughman v. Heinzelman, 180 Ill. 251; Frost v. Thomas, 26 Colo. 222; Harrisonburg v. Roller, 97 Va. 582; Trustees v. School Directors, 190 Ill. 390; Zevlev v. Weimer, 5 Ind. Ter. 646. A court of equity has no power or jurisdiction to restrain or enjoin the constitutional convention, its officers or delegates, from exercising any of the rights, powers, and obligations confided to it by Congress or the people; nor can the powers of the court be invoked to restrain or enjoin the submission of the constitution or any proposition contained therein to a vote of the people in advance of its adoption and ratification by the people and its approval by the President of the United States, on the ground that the proposed constitution or any of its provisions is unconstitutional, or that the convention acted

#### 425. Injunctions in cases of trusts and mortgages.

It was stated above that equitable rights are liable to be infringed in two ways: first (indirectly), by being disregarded in the proceedings at law, and, second (directly), by some act injurious to the equity. Having noticed the first general class of cases, it will be desirable, now, to pass to a brief consideration of the second.

It may perhaps be stated as a general rule, that as a Court of Chancery will interfere to redress an injury to an equitable right, it will also interpose its preventive remedy by injunction whenever such rights are threatened. Thus, equity will interfere to prevent a breach of trust; it will restrain an improper or imprudent disposition of trust assets on the application of the *cestui que trust*,<sup>1</sup> or a co-trustee may invoke the aid of the court to prevent a threatened breach of trust.<sup>2</sup> Injunction may, upon the same principles, be issued against executors when the assets of an estate are endangered by their mismanagement.<sup>3</sup>

Equity will also interfere to protect the rights of the holder of an equitable title. Thus a creditor of a husband may be restrained from levying upon the separate equitable estate of a married woman;<sup>4</sup> and in Pennsylvania it has been held that the *feme* is entitled to the same protection in regard to her separate property under the Married Woman's Act,<sup>5</sup> and indeed, in all cases where the process of law is being used against right and justice.<sup>6</sup> This, however, is the rule only when the creditor is clearly and undeniably proceeding against right and justice, to use the process of the law to the injury of the wife, and it will not be applied to cases in which there is doubt and conflict.<sup>7</sup>

A bill in equity may be maintained by a wife against her husband to recover her separate property obtained from her by his fraud and coercion.<sup>8</sup>

in excess of its lawful powers. *Frantz v. Autry*, 13 Okla. 562.

<sup>1</sup> *Elmendorf v. Lansing*, 4 Johns. Ch. 565; *Owens v. Childs*, 58 Ala. 113; *Cushman v. Church*, 162 Pa. 280.

<sup>2</sup> *Scott v. Becher*, 4 Price, 346; *In re Chertsey Market*, 6 Id. 279; *Kerr on Injunctions*, 172, 173.

<sup>3</sup> *Kerr on Injunctions*, Chap. IX.

<sup>4</sup> *Smith v. Smith*, 4 Jon. Eq. 303; *Thomas v. James*, 32 Ala. 723; *Ein-*

*stein v. The Bank of California*, 137 Cal. 47.

<sup>5</sup> *Hunter's Appeal*, 40 Pa. 194; *Lyon's Appeal*, 61 Id. 15; *Thompson's Appeal*, 107 Id. 559; *Hill v. Bowman*, 35 Mich. 191; *Patterson v. Fish*, Id. 209.

<sup>6</sup> *Natalie Anth. Coal Co. v. Ryon*, 188 Pa. 138.

<sup>7</sup> See *Winch's Appeal*, 61 Pa. 424; *Davis v. Michener*, 106 Id. 395.

<sup>8</sup> *Frankel v. Frankel*, 173 Mass.

A mortgagee may, ordinarily, pursue all his remedies at once. It sometimes, however, happens that it would be inequitable to allow him to do so, and hence he will be restrained by injunction under certain circumstances from proceeding by ejectment against the premises, or personally against the mortgagor, as the exigencies of the case may require.<sup>1</sup>

#### 426. Injunctions between partners.

Another class of cases in which equity will interfere by injunction embraces disputes between partners. It may be stated, as a general rule, that a Court of Chancery has jurisdiction to restrain by injunction members of a firm from doing acts inconsistent with the terms of the partnership agreement or with the duties of a partner.<sup>2</sup> Injunctions may be obtained without a dissolution;<sup>3</sup> or for the purpose of carrying out a dissolution;<sup>4</sup> or after dissolution for the purpose of protecting the rights of the respective parties.<sup>5</sup> Thus during the continuance of a partnership a man may be restrained from a breach of the partnership articles, or from excluding his co-partner from the partnership business, or from entering into partnership with strangers. And perhaps the better opinion is that the court would interfere by injunction where a dissolution is not prayed, even in the case of partnerships determinable at will, although the point is somewhat doubtful.<sup>6</sup>

If a bill is filed for a dissolution of the partnership, an injunc-

214; *Heckman v. Heckman*, 215 Pa. 203.

<sup>1</sup> *Cockell v. Bacon*, 16 Beav. 158; *Booth v. Booth*, 2 Atk. 343; *Drummond v. Pigou*, 2 Myl. & K. 168; *Kerr on Injunctions*, 191. Equity will restrain a threatened levy on real estate which is not liable to execution and thus prevent a cloud on the title. *Stevens v. Mulligan*, 167 Mass. 84; *Zimmerman v. Makepeace*, 152 Ind. 199; *Hughes v. Linn County*, 37 Oreg. 111. See, also, *Allen v. Perrine*, 103 Ky. 516; *Johnson v. Huber*, 106 Wis. 282.

<sup>2</sup> See *Stockdale v. Ullery*, 37 Pa. 486. Where one of two partners agrees to sell his interest in the partnership to the other and the

other agrees to use the partnership name upon the express condition that he will not contract any new liability thereunder and thereafter buys large bills of goods in the name of the old firm and is insolvent, the selling partner is entitled to an injunction. *Joelove v. Bohman*, 119 Ga. 204.

<sup>3</sup> *Leavitt v. Windsor Land & Investment Co.*, 12 U. S. App. 193.

<sup>4</sup> *J. v. S.* [1894], 3 Ch. 72.

<sup>5</sup> *Brass & Iron Works Co. v. Payne*, 50 Ohio St. 115.

<sup>6</sup> See upon the general subject *Kerr on Injunctions*, 164, 165; *Lindley on Partnership*, 1053; *post*, chapter on Partnership Bills.

tion may issue to restrain any act which may impede the winding up of the concern.

After dissolution, an agreement by a retiring partner not to carry on the business will be enforced by means of an injunction restraining the retiring partner according to the terms of his covenant. Other stipulations may also be enforced by injunction.<sup>1</sup>

#### 427. Restraint of disclosure of confidential communications.

Under the general jurisdiction of courts of equity to correct abuses of confidence, injunctions will be issued to restrain the disclosure of confidential communications, papers, and secrets;<sup>2</sup> unless the interests of public justice require otherwise. That this jurisdiction is exercised upon the ground of a breach of confidence is shown by the case of trade secrets. Ordinarily a court will not restrain a person from divulging a trade secret; but if a person has gained possession of the secret by means of a confidential relation, he will be prevented by injunction from making use of or divulging the secret, because to do so would be a breach of faith.<sup>3</sup> Upon the same principle rests the de-

<sup>1</sup> Kerr on Injunctions, 166, 167.

<sup>2</sup> New Jersey State Dental Society v. The Dentacura Company, 57 N. J. Eq. 593; Barrett v. Fish, 72 Vt. 18; Elaterite Paint Co. v. Frost, 105 Minn. 239. Upon this principle a photographer was enjoined from selling copies which had been taken from the negative without the customer's consent, for in so doing the photographer was said to be "abusing the power confidentially placed in his hands merely for the purpose of supplying the customer." Pollard v. Photographic Co., 40 Ch. D. 349.

<sup>3</sup> Newberry v. James, 2 Mer. 451; Williams v. Williams, 3 Id. 157; Yovatt v. Winyard, 1 J. & W. 394; Morison v. Moat, 9 Hare, 241; 21 L. J. Ch. 248; Peabody v. Norfolk, 98 Mass. 452; Kerr on Injunctions, 181; Tabor v. Hoffman, 118 N. Y. 30; Sanitas Food Co. v. Cemer, 134 Mich. 370; Westervelt v. National Paper

Co., 154 Ind. 673. If, however, he has not acquired the knowledge by means of a confidential relation he cannot be restrained. Stewart v. Hook, 118 Ga. 445. One who is under an express contract, or a contract implied from a confidential relation not to disclose a trade secret, will be enjoined from disclosing the same, and others who induce him to disclose the secret, knowing of his contract not to disclose it, or knowing that his disclosure is in violation of the confidence reposed in him, will be enjoined from making any use of the information so obtained, although they might have reached the same result intelligently by their own experiments or efforts. Stone v. Grasselli Chemical Co., 65 N. J. Eq. 756. Where a car manufacturing company delivers to its customers blue prints in connection with the orders for cars for the in-

cision in the case of *Merryweather v. Moore*.<sup>1</sup> In that case it appeared that the defendant was a clerk in the employ of the plaintiffs, who were fire-engine makers, but had left their service for that of another firm. Two days before leaving the plaintiff's service, the defendant compiled, for his own use and without the plaintiffs' knowledge, a table of dimensions of the various engines made by them; and this table he took with him to his new employers. It was held that the defendant's conduct was an abuse of confidence, and that the plaintiffs were entitled to an injunction to restrain him from publishing or communicating the contents of the table to any one.<sup>2</sup>

On the other hand in *Stein v. National Life Association*, it was held that equity will not enjoin a former insurance agent from using any legitimate means to influence policy holders of the company to place their insurance in another company, where there is no contractual restraint from doing so, and when, by such conduct, he violates no business secret or trust which had been reposed in him because of his relation as agent.<sup>3</sup>

formation and use of the purchasers as a necessary part of the transaction and also for their use in ordering repair parts, and the customers deliver the blue prints to a rival car manufacturing company so that the latter might use them in manufacturing and selling cars and car parts, the latter company will be compelled by a court of equity to

surrender up such blue prints to the former company. *Pressed Steel Car Co. v. Standard Car Co.*, 210 Pa. 464.

<sup>1</sup> [1892] 2 Ch. 518.

<sup>2</sup> *Merryweather v. Moore* [1892], 2 Ch. 518; *Fralich v. Despar*, 165 Pa. 24.

<sup>3</sup> *Stein v. National Life Association*, 105 Ga. 821.

## SECTION II.

## INJUNCTIONS TO PROTECT LEGAL RIGHTS.

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| <p>428. Classification of cases in which Injunctions issue to protect legal rights.</p> <p>429. Waste.</p> <p>430. Common-law remedies; their defects.</p> <p>431. Reasons for remedy in equity.</p> <p>432. Nature of Waste.</p> <p>433. Parties who will be restrained from committing waste.</p> <p>434. Equitable Waste.</p> <p>435. Destructive Trespass; origin of jurisdiction in such cases.</p> <p>436. Subdivisions of the subject.</p> <p>437. Public Companies; restrained from improperly taking land.</p> <p>438. Nuisance.</p> <p>439. Remedies at common law; their defects.</p> <p>440. How far complainant's title at law must be established.</p> <p>441. Different kinds of nuisance.</p> <p>442. Coming to a nuisance.</p> <p>443. Lateral support to soil; Purprestures; Public Companies.</p> <p>444. Injunction in cases of Patent Right; Copyright; Literary Property and Trade-mark.</p> <p>445. Inspection.</p> | <p>446. Injunction.</p> <p>447. Account.</p> <p>448. Patent Right.</p> <p>449. Previous trial at law to establish right unnecessary.</p> <p>450. Copyright.</p> <p>451. Copyright; in the United States.</p> <p>452. Piracy, what it is.</p> <p>453. Other requisites to an Injunction.</p> <p>454. Literary Property; <i>Prince Albert v. Strange</i>.</p> <p>455. Questions as to publication.</p> <p>456. Trade-marks.</p> <p>457. What are trade-marks.</p> <p>458. Diligence; colorable imitations.</p> <p>459. Alienation of negotiable securities.</p> <p>460. Preservation of property pending litigation.</p> <p>461. Breach of negative covenants.</p> <p>462. <i>Lumley v. Wagner</i>.</p> <p>463. Instances of covenants which have been restrained.</p> <p>464. Negative quality imported into affirmative covenants.</p> <p>465. Injunctions in cases of Corporations.</p> |
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### 428. Classification of cases in which injunctions issue to protect legal rights.

Having considered those cases in which a court of equity interferes by injunction for the purpose of protecting equitable rights, it will be convenient now to pass to the second general division of the subject, viz., that which embraces the instances in which a court of equity interposes in order to protect legal rights.

This jurisdiction, although most extensive, yet has its limits. It is exercised subject to the general maxim that equity will not interfere where there is a full, adequate, and complete remedy at law; and, moreover, while private *legal* rights are protected by the restraining power of chancery, yet that power will not be



interposed where the action to be enjoined is *political* and *governmental*, nor for the purpose of hampering *executive* discretion,<sup>1</sup> or trying the title to *public* offices.<sup>2</sup>

But the jurisdiction is, nevertheless, very broad and embraces very many subjects. It would be impossible, in a general treatise like the present, to notice minutely all of these instances.<sup>3</sup> Most of them, however, will be found under some one of the following heads—viz.: Waste, Trespass, Nuisance, Copyright, Literary Property, Patent Right, Trade-marks, Alienation of Property, Protection of Property pending Litigation, Negative Covenants, and Corporations.

#### 429. Waste.

And, first, of Waste. It is settled law that a court of equity will, under proper circumstances, interfere by injunction for the purpose of restraining waste; and it will, therefore, in discussing the subject, be convenient to consider what waste is, what are its different kinds, what acts will constitute it, and for and against what parties equity will interfere.

Waste is defined to be a substantial injury to the inheritance done by one having a limited estate, either of freehold or for years, during the continuance of his estate. The essential characteristics of waste are that the party committing it is in rightful possession,<sup>4</sup> and that there is privity of title between the parties.<sup>5</sup> Thus, for example, if a tenant by the curtesy of England were to cut down the timber on the estate, suffer the mansion-house to go to decay, and tear down out-buildings, such conduct would

<sup>1</sup> *Ante*, p. 607, note 2.

<sup>2</sup> *Green v. Wills*, 25 U. S. App. 383  
*Belknap v. Schild*, 161 U. S. 10; *Heffran v. Hutchins*, 160 Ill. 550; *State v. Lord*, 28 Oreg. 498; *Goldsworthy v. Boyle*, 175 Pa. 254; *Brower v. Kantner*, 190 Pa. 185; *Southern Mining Co. v. Lowe*, 105 Ga. 352; *Frost v. Thomas*, 26 Colo. 222; *Canal Comrs. v. Village of East Peoria*, 179 Ill. 214; *Baughman v. Heinselman*, 180 Id. 251; *Trustees v. School Directors*, 190 Id. 390; *Harrisonburg v. Roller*, 97 Va. 582; *Ins. Co. v. Craig*, 106 Tenn. 621; *Hurley v. Levee Commissioners*, 76 Miss. 141; *Marshall v. State Reformatory*, 201 Ill. 9; *People v.*

*Barrett*, 203 Id. 99. See, however, as to trying title to public office, *Parsons v. Durand*, 150 Ind. 203.

<sup>3</sup> *Guillotte v. Poincy*, 41 La. Ann. 333; *Patten Paper Co. v. Kaukauna Co.*, 70 Wis. 659.

<sup>4</sup> For injunctions to restrain injuries to property when the party is in *hostile* possession, see *post*, § 460.

<sup>5</sup> A mortgagor who has parted with his equity of redemption cannot have an injunction to restrain waste by his vendee on account of his (the mortgagor's) liability on his bond. He has no *interest* in the land, and can therefore have no action concerning it.

be waste on his part, for which he would be responsible to the remainderman, viz., the heir of the wife.<sup>1</sup>

### 430. Common-law remedies ; their defects.

At common law the only parties liable for waste were the tenants of legal estates, *i. e.*, those estates which were created by act of law as distinguished from those created by act of party, and which were termed conventional estates. These parties who were thus liable for waste were tenants by the curtesy, in dower, and guardians; for, as the estates of these persons were created by law, it was thought proper that the law ought to interpose on behalf of the remainderman, and hence these particular tenants were made liable for waste. Where, however, a limited estate was created by deed, the particular tenant was not at common law liable for waste, unless it was so expressly stipulated in the conveyance; because the law would not protect parties who did not take care to protect themselves. This harsh rule was, however, altered by the statutes of Marlbridge (52 Hen. III., c. 23) and of Gloucester (6 Edw. I., c. 5), and the liability for waste was extended to conventional tenants for life and to tenant for years.

The common-law remedy for waste, as extended by the statutes of Marlbridge and Gloucester, was by a writ of waste, in which the thing wasted was forfeited, and damages were recovered. The writ of waste has been abolished in England, and the only common-law remedy which the remainderman now has is a special action on the case for damages.<sup>2</sup>

In many of the United States remedies for waste are given by statute; in some of them the place wasted being forfeited, and damages recovered; in others the remedy being simply an action for damages.<sup>3</sup>

<sup>1</sup> In modern times the injury to the estate of the complainant may partake of the nature of waste, and, therefore, justify his resort to equity, although he may not have the right to possession. Thus, under an oil lease, the lessee may have no right to the possession of the premises outside of the designated sites within which he has a right to bore for oil; but he may, nevertheless, have a right to an injunction to restrain the

lessor from boring outside of the demised sites in such a way as to interfere with the lessee's right to take oil. *Duffield v. Hue*, 136 Pa. 602-617. Or he may maintain an action at law. *Duffield v. Rosenzweig*, 144 Pa. 520.

<sup>2</sup> *Jefferson v. Bishop of Durham*, 1 Bos. & Pull. 120; *Williams on Real Prop.* 24.

<sup>3</sup> See *Washburn on Real Prop.* 22, note.

**431. Reasons for remedy in equity.**

It is obvious that both the common-law and statutory remedies were inefficient in this, viz., that they did not stop the injury that was going on, and that, however severe the remedy might be as against the defendant, it nevertheless afforded but inadequate redress to the plaintiff. Hence equity interposed by injunction to restrain the defendant from continuing to commit waste, and this remedy has been found so simple and so effective that it is now firmly established as a branch of chancery jurisdiction, and has to a great extent superseded the common-law action.<sup>1</sup>

**432. Nature of Waste.**

Anything is waste which changes the character of the inheritance. Hence, even acts which increase the value of the estate may amount to waste. Such waste is called meliorating waste.<sup>2</sup>

Waste is either voluntary or permissive. Voluntary waste consists in doing something which the owner of the limited estate has no authority to do, such as cutting timber, opening mines, and so forth.<sup>3</sup> Permissive waste consists in the omission of acts

<sup>1</sup> See *Hill v. Bowie*, 1 Bland, 593. Moreover, "chancery goes to greater lengths than the courts of law in staying waste. It is a wholesome jurisdiction, to be liberally exercised in the prevention of irreparable injury, and depends on much latitude of discretion in the court." *Kane v. Vanderburgh*, 1 Johns. Ch. 4. The case of the *Westmoreland Natural Gas Co. v. DeWitt*, 130 Pa. 251, may be particularly noted. It was a bill by a lessee of oil and natural gas against the lessor and a subsequent lessee of the land. "The bill," said Mitchell, J., "is a bill to stay waste, and that the damage threatened, even if not irreparable, is entirely incapable of measurement at law, cannot be seriously questioned. Such cases were among the earliest, and have always been among the most incontestable within the chancellor's

jurisdiction. It is superfluous to cite authorities for so familiar a principle, but, I may refer to *Allison's Appeal*, 77 Pa. 221, as a recent case in this court, where the invasion restrained was of the complainant's right to oil, a fluid far more capable of accurate measurement than gas." See, further, as to this jurisdiction, *Watson v. Hunter*, 5 Johns. Ch. 169; *Dawson v. Tremaine*, 93 Mich. 320, and *Manufacturers' Gas Co. v. Indiana Nat. Gas Co.*, 155 Ind. 461; *Hicks v. Am. Nat. Gas Co.*, 207 Pa. 579.

<sup>2</sup> *Kerr on Injunctions*, 239. See *Doherty v. Allman*, 3 App. Cas. 709, where the injunction was refused. The waste was meliorating waste.

<sup>3</sup> See *Dashwood v. Magniac* [1891], 3 Ch. 306, where the whole subject of waste by felling timber, in England, is exhaustively discussed.

which it is the duty of the particular tenant to perform, as if he permits buildings to go to decay by neglecting to repair them. For permissive waste there is generally no remedy in equity; but an injunction may issue under special circumstances.<sup>1</sup>

It is impossible to give a catalogue of the acts which will amount to waste. It must, however, here be observed that many acts would be considered waste in England which are not so regarded in this country. Thus, in many parts of the United States, cutting timber by a tenant for life would be regarded as proper for the purpose of clearing the land;<sup>2</sup> whereas in England a tenant for life has no right to cut down trees, but can only enjoy their shade or fruit.<sup>3</sup>

It is waste to open new mines in land, although it is not waste to continue the working of mines already opened.<sup>4</sup> So it is waste to cultivate land in such a manner as to change its character;<sup>5</sup> to suffer a sea-wall to go to decay;<sup>6</sup> to tear down buildings, or permit them to become dilapidated;<sup>7</sup> or to remove fixtures.<sup>8</sup> To this last species of waste, however, it must be remembered that there are important exceptions in the cases of trade fixtures, and ornamental fixtures. Trade fixtures may be removed, if taken away before the expiration of the term; and so also may fixtures for ornament in some cases, although the rule as to this last class of fixtures is much more strict than as to the former.<sup>9</sup>

<sup>1</sup> Kerr on Injunctions, 252; Hill on Trustees, 590 (4th Am. ed.); Powys v. Blagrove, Kay, 495; Cannon v. Barry, 59 Miss. 289. But see Waddell v. De Jet, 76 Miss. 104.

<sup>2</sup> Crawley v. Timberlake, 2 Ired. Eq. 460; Alexander v. Fisher, 7 Ala. 514; Gardiner v. Dering, 1 Paige Ch. 573; McCullough v. Irvine, 13 Pa. 438; Lynn's Appeal, 31 Id. 44; Morehouse v. Cotheal, 2 Zab. 521; Keeler v. Eastman, 11 Vt. 293; Drown v. Smith, 52 Me. 141; Williams on Real Prop. 23; Hill on Trustees, 590 (4th Am. ed.). But the tenant for life must not cut down more timber than is necessary for the enjoyment of his estate. Johnson v. Johnson, 2 Hill Ch. 277; Livingston v. Rey-

nolds, 26 Wend. 115; Smith v. Poyas, 2 Deas. 65.

<sup>3</sup> He is, however, entitled to reasonable estovers for necessary repairs, agricultural implements, and firewood.

<sup>4</sup> Co. Litt. 54, b; Saunders's Case, 5 Coke, 12 a; Cowley v. Wellesley, L. R. 1 Eq. 656; Clegg v. Rowland, 2 Id. 160.

<sup>5</sup> Co. Litt. 53, b; Kerr on Injunctions, 249.

<sup>6</sup> Co. Litt. 53, b.

<sup>7</sup> Co. Litt. 53, b. See Douglass v. Wiggins, 1 Johns. Ch. 435.

<sup>8</sup> Kerr on Injunctions, 252.

<sup>9</sup> Elwes v. Mawe, 2 Smith's Lead. Cas. 177, and notes.

The existence of a covenant to repair does not preclude a court of equity from restraining waste by injunction.<sup>1</sup>

### 433. Parties who will be restrained from committing waste.

An injunction to restrain waste is granted in other cases besides those of particular tenants and remaindermen. Thus, while the court will not ordinarily interfere to restrain joint-tenants, tenants in common, and co-partners, it, nevertheless, will do so if the wrong-doer is insolvent, or is incapable of paying the excess of the value beyond his own share, or if the waste amounts to destructive waste or spoliation, or a partition suit has been instituted.<sup>2</sup>

So a mortgagee in possession may be restrained from committing waste if the security is sufficient;<sup>3</sup> but if the security is insufficient, he is entitled to make the most of the property.<sup>4</sup> A mortgagor in possession is considered the owner of the property, and he may exercise all the rights of ownership. But if the security is insufficient, an injunction may go against a mortgagor.<sup>5</sup>

An action of waste would not lie at law by a remainderman against the tenant for life, if there was a *mesne* remainderman. As, for example, if there was a tenant for life, with remainder over to another for life, remainder over in fee; in such a case the last remainderman could not maintain an action of waste against the first tenant for life, because as the effect of the action would be to forfeit the land for the benefit of the ultimate remainderman, such a result would be extremely unjust as against the *mesne* tenant for life. The only remedy therefore which the

<sup>1</sup> *Mayor of London v. Hedger*, 18 Ves. 356.

<sup>2</sup> *Smallman v. Onions*, 3 Bro. C. C. 621; *Twort v. Twort*, 16 Ves. 128; *Hole v. Thomas*, 7 Id. 589; *Hawley v. Clowes*, 2 Johns. Ch. 122; *Mott v. Underwood*, 148 N. Y. 463. A vendee under articles may restrain the vendor from committing waste. *Smith & Fleck's Appeal*, 69 Pa. 474.

<sup>3</sup> *Farrant v. Lovel*, 3 Atk. 723; *Triplett v. Parmalee*, 16 Neb. 649.

<sup>4</sup> *Millett v. Davey*, 31 Beav. 470.

<sup>5</sup> *Kerr on Injunctions*, 262; *Brady*

*v. Waldron*, 2 Johns. Ch. 148; *Cooper v. Davis*, 15 Conn. 556; *Maryland v. Northern R. Co.*, 18 Md. 193; *Parsons v. Hughes*, 12 Id. 1; *Robinson v. Russell*, 24 Cal. 467; *Ensign v. Colburn*, 11 Paige Ch. 503; *Murdock's Case*, 2 Bland, 461; *Salmon v. Claggett*, 3 Id. 125; *Nelson v. Pinegar*, 30 Ill. 473; *Williams v. Chicago Exhibition Co.*, 188 Id. 19; *Real Estate Trust Co. v. Hatton*, 194 Pa. 451; *High on Injunctions*, §§ 445 *et seq.*; *Beaver Lumber Co. v. Eccles*, 43 Oreg. 400.

remainderman in fee would have, would be an action of trover for the trees cut down. But in equity, the ultimate remainderman was allowed to maintain a bill for an injunction;<sup>1</sup> and that although the remainder be contingent.<sup>2</sup>

Injunctions to restrain injuries to property are sometimes granted against parties claiming under a hostile title; but these are not, properly speaking, injunctions to restrain waste, but fall rather under the jurisdiction to preserve property pending litigation, and will be considered under that head.

#### 434. Equitable Waste.

Besides the ordinary waste there is also another kind of the same species of injury to real property which is known by the name of equitable waste.

Waste which a court of equity will restrain as an unconscientious exercise of legal power is called equitable waste.

Equitable waste arises where a particular estate is granted without impeachment of waste, but the particular tenant exercises his power in an unconscientious manner. Thus, if a tenant for life wantonly destroys trees planted or left standing around the mansion-house for ornament, such destruction will be regarded in equity as waste, although the life estate was made without impeachment of waste.<sup>3</sup> So, also, the cutting of saplings or young trees, not fit for the purpose of timber, falls under the head of equitable waste.<sup>4</sup>

The leading authorities upon the subject of equitable waste in England are *Vane v. Lord Barnard*,<sup>5</sup> and *Garth v. Sir John Hind Cotton*.<sup>6</sup> The former was a case of outrageous destruction; for Lord Barnard, who was tenant for life, without impeachment of waste, of Raby Castle, had stripped the castle of the lead, iron, glass, etc., and was proceeding to pull it down, when he was stopped by an injunction.

But the court will not interfere if the matters complained of are of a trivial nature, for, as Lord Hardwicke observed in speaking of *Vane v. Barnard*, if the clause without impeachment of

<sup>1</sup> See *Garth v. Sir John Hind Cotton*, 1 Ves. Sr. 546; 1 Lead. Cas. Eq. 697 (4th Am. ed.).

<sup>2</sup> *Peterson v. Ferrell*, 127 N. C. 169.

<sup>3</sup> *Micklethwait v. Micklethwait*, 1 De G. & J. 504.

<sup>4</sup> *Hole v. Thomas*, 7 Ves. 589.

<sup>5</sup> *Prec. Ch.* 454; 1 Salk. 161; 2 Vern. 738.

<sup>6</sup> 3 Atk. 751; 1 Lead. Cas. Eq. 697 (4th Eng. ed.). See *Baker v. Sebright*, 13 Ch. D. 179.

waste could be made use of to permit a son to call his father into a court of equity for every alteration he might make in pulling up the floor of the house, it would have been better for the public that Raby Castle should have been pulled down than that such a precedent should have been set.<sup>1</sup> The ingredient of malice does not appear to be necessary to constitute equitable waste. Such waste may be committed although no bad motive may exist.<sup>2</sup>

### **435. Destructive Trespass ; origin of jurisdiction in such cases.**

The next ground for an injunction which requires consideration is Trespass.

The jurisdiction of the Court of Chancery to restrain destructive trespass is of comparatively modern origin. The earliest case is that of *Flamang*, decided by Lord Thurlow, and mentioned by Lord Chancellor Eldon in *Hanson v. Gardiner*.<sup>3</sup> "I have a note," said Lord Eldon, "of a remarkable case in which the name of one of the parties was *Flamang*. There was a demise of a close A. to a tenant for life, the lessor being landlord of an adjoining close B. The tenant dug a mine in the former close. That was a waste from the privity. But when we asked an injunction against his digging in the other close, through a continuation of his working in the former close, Lord Thurlow hesitated much, but did at last grant the injunction, first, from the irreparable ruin of the property as a mine; secondly, as it was a species of trade; and thirdly, upon the principle of this court enjoining in matters of trespass, where irreparable damage is the consequence."

The jurisdiction of a court of equity to interfere upon the last of the three grounds mentioned by Lord Thurlow, is now well established, and, perhaps, more so in this country than in England.<sup>4</sup>

<sup>1</sup> *Peirs v. Peirs*, 1 Ves. Sr. 521.

<sup>2</sup> *Hawley v. Clowes*, 2 Johns. Ch. 122.

<sup>3</sup> 7 Ves. 305. See, also, *Stevens v. Beekman*, 1 Johns. Ch. 317; *Troy & Boston R. Co. v. Boston, etc., R. Co.*, 86 N. Y. 107; *Butte and Boston Min. Co. v. Montana Ore Purchasing Co.*, 24 Mont. 125.

<sup>4</sup> See *Merced v. Fremont*, 7 Cal. 317; *Anderson v. Harvey*, 10 Gratt. 386; *Hart v. Mayor of Albany*, 3 Paige Ch. 213; 9 Wend. 571; *De Veney v. Gallagher*, 20 N. J. Eq. 33; *London, etc., R. Co. v. Lancashire, etc., R. Co.*, L. R. 4 Eq. 174; *Ryan v. Brown*, 18 Mich. 196; *Musselman v. Marquis*, 1 Bush, 463; *Henry*

The frequency of the acts of trespass constitute another ground for the jurisdiction.<sup>1</sup> The common-law action for damages furnishes an adequate redress for a single trespass, or even for several, where there are no circumstances to indicate that the unlawful acts are to be repeated continuously;<sup>2</sup> but where these acts of trespass are constantly recurring, and threaten to continue, it is settled that they may be redressed in equity by injunction.<sup>3</sup>

*v. Koch*, 80 Ky. 391; *Echelkamp v. Schrader*, 45 Mo. 705; *Phillips v. Bordman*, 4 Allen, 147; *Wilcox v. Wheeler*, 47 N. H. 488; *Livingston v. Livingston*, 6 Johns. Ch. 497; *Watson v. Sutherland*, 5 Wall. 74 (stated *ante*, p. 57); *Mayor of Baltimore v. Appold*, 42 Md. 442; *Ford v. Burleigh*, 60 N. H. 278; *Lumber Co. v. Hines*, 126 N. C. 254; *Smith v. Gardner*, 12 Oreg. 221; *Lemmon v. Town of Guthrie Centre*, 113 Ia. 36; *Story's Eq. Jur.* § 928; *High on Injunc. Ch. X.*; *Watson v. Ferrell*, 34 W. Va. 406.

<sup>1</sup> *Grubb's Appeal*, 90 Pa. 228; *Booher v. Browning*, 169 Pa. 18.

<sup>2</sup> *Id.*

<sup>3</sup> *Stewart's App.*, 56 Pa. 422; *Scheetz's App.*, 35 Id. 88; *Comm. v. Pitts. and Connellsville R. Co.*, 24 Id. 159; *Sterling's App.*, 111 Id. 41; *Keppel v. Lehigh C. & N. Co.*, 200 Id. 652; *Musselshell Cattle Co. v. Woolfolk*, 34 Mont. 126; *Owens v. Crossett*, 105 Ill. 354; *Poughkeepsie Gas Co. v. Citizens' Gas Co.*, 89 N. Y. 493; *Ford v. Burleigh*, 60 N. H. 278; *Providence Steamboat Co. v. Fall River*, 183 Mass. 535; *Matteson v. Whaley*, 20 R. I. (Part III.) 8; *Story's Eq. Jur.* §§ 925-927; *Ladd v. Osborne*, 79 Ia. 93; *Ellis v. Wren*, 84 Ky. 254; *Lembeck v. Nye*, 47 Ohio, 336; *Balto. Belt R. Co. v. Lee*, 75 Md. 596; *Edwards v. Haeger*, 180 Ill. 99; *Muldrick v. Brown*, 37 Oreg. 185; *Gobeille v. Meunier*, 21 R. I. 103; *Blondell v. Consol. Gas Co.*, 89 Md. 732; *McClellan v. Tay-*

*lor*, 54 S. C. 430; *Davis v. Frankelust*, 118 Mich. 494; *Sillasen v. Winteler*, 76 Neb. 52; *Keil v. Wright*, 135 Ia. 383; *Taylor v. Pearce*, 179 Ill. 145; *Burrall v. American Telephone Co.*, 224 Ill. 286; *Colliton v. Oxborough*, 86 Minn. 361; *Mendelson v. McCabe*, 144 Cal. 233; *Huxford v. Southern Pine Co.*, 124 Ga. 181; *Barbee v. Shannon*, 1 Ind. Ter. 199; *Negaunee Iron Co. v. Iron Cliffs Co.*, 134 Mich. 264; *Cobia v. Ellis*, 149 Ala. 108; *Miller v. Hoeschler*, 121 Wis. 558; *De Pauw v. Oxley*, 122 Wis. 656; *Mendenhall v. School District*, 76 Kan. 173; *Ainsworth v. Club*, 153 Mich. 185; *Lambert v. Railroad*, 212 Mo. 692; *Hackney v. McIninch*, 79 Neb. 128; especially where they threaten to ripen into an easement. *Murphy v. Lincoln*, 63 Vt. 278.

Where there is a continuing trespass by a number of parties, and a suit of law could only determine a particular controversy at a particular time, a court of equity may meet such an unusual emergency and by a comprehensive decree determine finally the controversy between the parties, avoid a multiplicity of suits and conserve the public interest; as, *e. g.*, a plaintiff railway company was allowed to maintain a suit against hackmen combined together in disregard of its regulations, enjoining them from congregating upon the sidewalk adjacent to its terminal so as to interfere with the ingress and egress of



A suit in equity is generally the only adequate remedy for trespasses continually repeated, because constantly recurring actions for damages would be more vexatious and expensive than effective.<sup>1</sup>

The cases in which the courts have interfered have been divided into two general classes: first, where the party seeking relief is not in possession; and, second, where he is in possession.<sup>2</sup> The first class of cases will more properly be considered under the jurisdiction of the court to preserve property pending litigation, because the injury inflicted upon a person who has a title to property, but who is not in possession of the same, cannot strictly be considered as a trespass. But the second class of cases, that, namely, which embraces the instances wherein a party in possession is injured by acts of trespass, falls strictly within the equitable remedy now under consideration. Thus, in the case before Lord Thurlow, just cited, the injury which was the subject of the injunction was inflicted against a party in possession of close B.

#### 436. Subdivisions of the subject.

Acts of destructive trespass may be again subdivided into two classes: first, those which are committed under color of title; and, second, those which are committed by a party who is avowedly a stranger.<sup>3</sup> In both of these cases, in order to invoke the equitable remedy by injunction, the injury must be of such a nature as not to be susceptible of adequate pecuniary compensation in damages. Equity will not interfere to restrain a trespasser simply because he is a trespasser.<sup>4</sup> The injury com-

passengers. *Donovan v. Pennsylvania Company*, 199 U. S. 279.

<sup>1</sup> *United States Freehold L. & E. Co. v. Gallegos*, 32 C. C. A. 475. See, also, *Boston & Maine R. R. Co. v. Sullivan*, 177 Mass. 230.

<sup>2</sup> *Lowndes v. Bettie*, 33 L. J. Ch. 451.

<sup>3</sup> *Id.* See, also, *Watuppa Reserv. Co. v. Fall River*, 154 Mass. 305.

<sup>4</sup> *Gates v. Johnston Lumber Co.*, 172 Mass. 495; *Stevens v. Beekman*, 1 Johns. Ch. 318; *Mulvany v. Kennedy*, 26 Pa. 44; *Clark's App.*, 62 Id. 447; *Minnig's App.*, 82 Id. 377; *Jerome v. Ross*, 7 Johns. Ch. 330;

*Weigel v. Walsh*, 45 Mo. 560; *Bethune v. Wilkins*, 8 Ga. 118; *West v. Walker*, 3 N. J. Eq. 279; *Vanwinkle v. Curtis*, Id. 422; *Ballentine v. Harrison*, 37 Id. 560; *Del. Lack. & W. R. R. v. Breckenridge*, 55 N. J. Eq. 141; *Shipley v. Ritter*, 7 Md. 408; *Coker v. Simpson*, 7 Cal. 340; *Gause v. Perkins*, 3 Jon. Eq. 177; *Parker v. Furlong*, 37 Oreg. 248; *Indian Land Co. v. Shoenfelt*, 135 Fed. Rep. 484. But will if the trespasser's conduct is a continuing menace to the safety of public travel—in this case constantly riding upon the rails of a railroad company's tracks by means

plained of must be ruinous to the property in the manner in which it has been enjoyed, and such as permanently to impair its future enjoyment.<sup>1</sup> The application of the rules upon this subject must depend very much upon the circumstances of the particular case.<sup>2</sup> Where the damage is irreparable the solvency of the defendant is of no importance.<sup>3</sup> The insolvency of the trespasser, however, may afford a ground for interference, since his inability to respond in damages renders the remedy at law ineffectual.<sup>4</sup>

In the case of *Cowper v. Baker*,<sup>5</sup> the defendant was restrained from taking certain argillaceous stones, necessary to the manufacture of a patent cement, under the sea. Lord Eldon considered the damages there done to the plaintiff to be irreparable, not because it was a destruction *simpliciter*, but because it was a taking away of the substance of the inheritance. In like manner, an injunction has been issued to restrain the working of oil wells, the result of which would be a permanent and continuing injury to the property.<sup>6</sup> Upon the same principle, trustees of a corporation may enjoin pretended trustees from intermeddling with the corporate property where the trespass goes to the destruction of the property in the character in which it was enjoyed.<sup>7</sup> The general principles which govern cases of this

of a bicycle. *Atchison Ry. Co. v. Spaulding*, 69 Kan. 431. The trespass must amount to an irreparable injury to the estate. *Moore v. Halliday*, 43 Ore. 243.

<sup>1</sup> *Echelkamp v. Schrader*, 45 Mo. 505; *Jerome v. Ross*, 7 Johns. Ch. 315; *Mayor of Frederick v. Groshon*, 30 Md. 436; *Bolsa Land Co. v. Burdick*, 151 Cal. 254.

<sup>2</sup> *Thomas v. Nautahala Co.*, 8 U. S. App. 429.

<sup>3</sup> *Edwards v. Haeger*, 180 Ill. 99; *Callaway v. Webster*, 98 Va. 790; *Myers v. Hawkins*, 67 Ark. 413. See *Heaney v. B. & M. Com. Co.*, 10 Mont. 590, *contra*.

<sup>4</sup> *Musselman v. Marquis*, 1 Bush, 463; *Hicks v. Compton*, 18 Cal. 206; *Britton v. Hill*, 27 N. J. Eq. 389; *Piper v. Piper*, 38 Id. 81; *Long v. Kasebeer*, 28 Kan. 262. See *Wilson*

*v. Hill*, 46 N. J. Eq. 367. See, also, cases cited in preceding note, and *Parker v. Furlong*, 37 Ore. 248; *Moore v. Halliday*, 43 Ore. 243; *Kistler v. Weaver*, 135 N. C. 388; *Marcum v. Marcum*, 57 W. Va. 285.

<sup>5</sup> 17 Ves. 128. See, also, *Merced v. Fremont*, 7 Cal. 317; *Anderson v. Harvey*, 10 Gratt. 386; *U. S. v. Gear*, 3 How. 120; *Davis v. Reed*, 14 Md. 152.

<sup>6</sup> *Allison & Evans's App.*, 77 Pa. 221. See, also, *Westmoreland Nat. Gas Co. v. De Witt*, 130 Id. 251 (a case of interference with the flow of natural gas); *Duffield v. Hue*, 136 Id. 602; *Real Estate Co. v. Hatton*, 194 Id. 450; *Moore v. Jennings*, 47 West Va. 181, and *Scully v. Rose*, 61 Md. 408.

<sup>7</sup> *Trustees v. Hoessli*, 13 Wis. 348. The decision in this case was put

kind were well laid down by Vice-Chancellor Kindersley in the case of *Lowndes v. Bettle*.<sup>1</sup> "Where, therefore," says that learned judge, "the plaintiff is in possession, and the person doing the acts complained of is an utter stranger, not claiming under color of right, the tendency of the court is not to grant an injunction unless there are special circumstances, but to leave the plaintiff to his remedy at law,"<sup>2</sup> though where the acts tend to the destruction of the estate the court will grant it.<sup>3</sup> But where the party in possession seeks to restrain one who claims by adverse title, then the tendency will be to grant the injunction, at least where the acts done either did or might tend to the destruction of the estate."<sup>4</sup>

#### **437. Public companies ; restrained from improperly taking land.**

Under the head of injunctions to restrain destructive trespass may, perhaps, fall many of the cases in which public companies are restrained from an improper exercise of their statutory rights to take private property for their own use; although some of the cases of this description may more properly be classed under "Injunctions against Corporations."

In cases of trespass by corporations, courts of equity will act with greater promptness, and will apply more stringent rules, than in the case of trespass by private individuals. There is an equity to keep corporations within the strict limits of their statutory powers, and prevent them from deviating in the smallest degree from the terms prescribed by the statute which gives them authority. A man has a right to say that a corporation shall not enter upon his land except upon the terms, and under the regulations, prescribed by statute; and he has a further right to invoke the aid of a court of equity to protect him by

upon the ground of destructive trespass, but it would seem that it might have been sustained under the general jurisdiction of chancery to protect charities and enforce religious trusts.

<sup>1</sup> 33 L. J. Ch. 451.

<sup>2</sup> *Lynch v. Union Ins. for Savings*, 159 Mass. 306.

<sup>3</sup> *Camp v. Dixon*, 112 Ga. 874; *Dimick v. Shaw*, 36 C. C. A. 347.

<sup>4</sup> See *Duncan v. The Iron Works*,

136 Pa. 478, for a case in which the court declined to interfere, because in view of the defendant's denial of the plaintiff's legal title, it was held that the plaintiff must first establish his right at law. See, also, *Kan., etc., R. Co. v. Glen Jean, etc., R. Co.*, 45 W. Va. 119; *Johnson v. Hughes*, 58 N. J. Eq. 406, the statement of the rule in *Mowday v. Moore*, 133 Pa. 611, as quoted in § 440, *post*.

its writ of injunction.<sup>1</sup> But the purpose of the bill must be *bona fide*, simply to prevent damage to the plaintiff's property. If it is filed to attain some other end, such as the prevention of competition among railroad companies, the relief will be denied.<sup>2</sup>

### 438. Nuisance.

Another injury to real property, to redress which it has been found necessary to resort to the equitable remedy of injunction, is Nuisance; and the authority of the court is, in modern times, probably as frequently applied, and as beneficially exercised, in this as in any other branch of equity jurisprudence.<sup>3</sup>

A nuisance is an act, unaccompanied by an act of trespass, which causes a substantial injury to the corporeal or incorporeal hereditaments of other persons. Where a man wrongfully disturbs another in the exclusive enjoyment of property, he commits an act of trespass; but where the infringement of the right is the consequence of an act which is not, in itself, an invasion of

<sup>1</sup> See *Kemp v. London & Br. Ry.*, 1 Railw. Cas. 495; *Bell v. Hull & Selby Ry.*, Id. 635; *Frewin v. Lewis*, 4 Myl. & Cr. 249; *Tinkler v. Metropolitan Board of Works*, 2 De G. & J. 261; *Jarden v. Phila., W. & B. R. Co.*, 3 Whart. 502; *Bonaparte v. Camden & Amboy R. Co.*, Baldwin, 205; *McIntyre v. Storey*, 80 Ill. 127; *Manchester Cotton Mills v. Manchester*, 25 Gratt. 827; *Wilkin v. City of St. Paul*, 33 Minn. 181; *Western Pa. R. Co.'s Appeal*, 104 Pa. 399; *Kerr on Injunctions*, 296; *Wright v. Shanahan*, 61 Hun, 264. Among the more recent cases are, *Birmingham Tract. Co. v. Birmingham Ry. & Elec. Co.*, 119 Ala. 129; *City Council v. Semle*, 121 Id. 609; *Haw. Com. & S. Co. v. Kahului R. Co.*, 11 Hawaii, 479; *O'Connell v. Chicago Terminal R. R. Co.*, 184 Ill. 308; *Davenport Bridge Ry. Co. v. Johnson*, 188 Id. 472; *Corby v. Chicago, R. I. & P. Ry. Co.*, 150 Mo. 457; *Stolze v. Milwaukee & Lake Winnebago R. Co.*, 104 Wis. 47;

*Cowan v. Southern Ry. Co.*, 118 Ala. 554; *Coyne v. Warrior Southern Ry.*, 137 Id. 553; *Mobile & Mont. Ry. Co. v. Ala. Mid. Ry. Co.*, 123 Id. 145 (where the ground of the jurisdiction was stated). The case of *Mobile & Montg. Ry. Co. v. Ala. Mid. Ry. Co.*, 116 Ala. 51, seems to have been an exceptional one. *Spalding v. Maccomb & W. I. Ry. Co.*, 225 Ill. 585.

<sup>2</sup> *Ocean City R. Co. v. Bray*, 55 N. J. Eq. 101, 839; *Id.* 57; *Id.* 164.

<sup>3</sup> Where it is sought to enjoin a lawful business as a nuisance, the court will consider the comparative injury which will result from the granting or refusing of an injunction, and it will not be granted where it would be inequitable and oppressive, as where it would cause a large loss to defendant or others, while the injury, if it is refused, will be comparatively slight and can be compensated by damages. *Mountain Copper Co. v. United States*, 142 Fed. Rep. 625.

property, the cause from which an injury flows is termed a nuisance.<sup>1</sup>

Nuisances are either public or private. A private nuisance is an injury to the property of an individual. A public nuisance is an injury to all persons who come within the sphere of its operation.<sup>2</sup>

### 439. Remedies at common-law ; their defects.

The remedy for public nuisance is by information by the attorney-general. The attorney-general may likewise proceed by a bill in equity; and if an individual has also sustained special damage over and above the public injury (but not otherwise),<sup>3</sup> he also may proceed by bill.<sup>4</sup> The right of the attorney-general to proceed by bill in case of public nuisance was exercised on behalf of the general government in a celebrated case, in which an injunction was granted to restrain certain persons—defendants in the cause—from interfering with the transportation of mails, or with the enjoyment of railroad facilities, by individuals and

<sup>1</sup> Kerr on Injunctions, 332. But to constitute a nuisance, the injury must be one to *property*, or to its enjoyment; and unless rights in or to *property* are affected, equity cannot treat the wrong as a nuisance. Hence it was decided in Northern Pac. R. R. v. Whalen, 149 U. S. 162, that a railroad company could not maintain a suit in the nature of a bill to restrain a nuisance against the proprietors of saloons at which the company's employes got drunk, for the company had no property in its employes.

<sup>2</sup> See Soltau v. De Held, 2 Sim. (N. S.) 142. A conspiracy by one person entered into with another to deprive an individual of the benefit of a property right is unlawful and may be enjoined. Garst v. Charles, 187 Mass. 144.

<sup>3</sup> Rhymer v. Fretz, 206 Pa. 230.

<sup>4</sup> Corning v. Lowerre, 6 Johns. Ch. 439; City of St. Louis v. Knapp, 6 Fed. Rep. 221; Soltau v. De Held, 9 Eng. L. & Eq. 104; Knox v.

New York, 55 Barb. 404; Cronin v. Bloemcke, 58 N. J. Eq. 313; Savannah, etc., R. Co. v. Shiels, 33 Ga. 601; State v. The Ohio Oil Co., 150 Ind. 21; Reyburn v. Sawyer, 135 N. C. 328; Ewell v. Greenwood, 26 Ia. 377; Roberts v. Mathews, 137 Ala. 523; Whitfield v. Rogers, 26 Miss. 84; Richi v. Chattanooga Brewing Co., 105 Tenn. 651; Black v. Phila. & Read. R. Co., 58 Pa. 249; Bunnell's Appeal, 69 Id. 62; Commissioners v. Long, 1 Pars. Eq. Cas. 143; Commonwealth v. Rush, 14 Pa. 186; City of Georgetown v. Alexandria Canal Co., 12 Pet. 98; Hilliard on Injunctions, 336 (3d Am. ed.); Jones v. Bright, 140 Ala. 268; Young v. Rothrock, 121 Ia. 588; Viebahn v. Board of Commissioners, 96 Minn. 276; Birmingham Ry. v. Moran, 151 Ala. 187; Bent v. Trimboli, 61 W. Va. 509; Wilkinson Co. v. McIlquham, 14 Wyo. 209; Thomas v. Wade, 48 Fla. 311; Letherman v. Hauser, 77 Neb. 731.

corporations who were engaged in interstate commerce. The injunction having been disobeyed, an attachment for contempt was issued, followed by commitment, and thereafter the questions involved were brought before the Supreme Court of the United States on petition for a *habeas corpus* by the defendants in the equity suit who had been thus imprisoned for violation of the chancery decree. The petition for the writ of *habeas corpus* was denied, and the jurisdiction of courts of equity, in proper cases, to restrain strikes, boycotting, and interference with the employment of labor by violence or intimidation, was fully sustained. The ground upon which the ruling was placed was that equity has jurisdiction to enjoin public nuisances; and it was held that this jurisdiction could properly be invoked in behalf of the United States for the protection of the mail, and of interstate commerce, and of roadways and water-ways, by means of which the mails were transported and interstate commerce carried on.<sup>1</sup> The interference with commerce was accompanied by violence and bloodshed, and it was urged in this case that the proper branch of remedial law to be invoked was the criminal law, and that courts of equity did not grant injunctions against crime. The Supreme Court, however, declined to take this view, and quoted with approval the language of an Alabama court, in which it was said that "the mere fact that an act is criminal does not divest the jurisdiction of equity to prevent it by injunction, if it be also a violation of property rights, and the party aggrieved has no other adequate remedy for the prevention of the irreparable injury which will result from the failure or inability of a court of law to redress such rights."<sup>2</sup>

<sup>1</sup> *In re Debs*, 158 U. S. 564. See, also, *Arthur v. Oakes*, 24 U. S. App. 239; *Bloomfield Gravel Min. Co. v. United States*, 32 C. C. A. 98; *Stamford v. Stamford Horse R. R. Co.*, 56 Conn. 381; *City of Georgetown v. Alexandria Canal Co.*, 12 Pet. 91-98; *State of Pennsylvania v. Wheeling Bridge Co.*, 13 How. 518; *O'Neil v. Behanna*, 182 Pa. 236.

<sup>2</sup> *Mobile v. Louisville & Nashville Railroad*, 84 Ala. 115, 126; *Cranford v. Tyrrell*, 128 N. Y. 341; *Klein v. Livingston Club*, 177 Pa. 224-228; *Gilcrest v. Des Moines*, 128 Ia. 49;

*The Columbian Athletic Club v. State*, 143 Ind. 98; *Vegehlahn v. Guntner*, 167 Mass. 92; *Att.-Gen. v. Paterson*, 58 N. J. Eq. 1; *State v. Zachrits*, 166 Mo. 307. "While a Federal court cannot interfere in a criminal case already pending in a state court, and while, as a general rule, a court of equity cannot enjoin criminal proceedings, those rules do not apply when such proceedings are brought to enforce an alleged unconstitutional state statute, after the unconstitutionality thereof has become the subject of inquiry in a suit

The jurisdiction of equity to enjoin strikes and boycotts and other interferences with lawful occupations,<sup>1</sup> has been exercised in numerous cases and is sometimes put on the ground of enjoining nuisances, and sometimes on the ground of stopping repeated trespasses. In *Lyons v. Wilkins* there was a strike against the plaintiffs by order of the society of which the defendant was

pending in a Federal court which has first obtained jurisdiction thereover; and under such circumstances the Federal court has the right in both civil and criminal cases to hold and maintain such jurisdiction to the exclusion of all other courts." *Ex parte Young*, 209 U. S. 123. A railway may maintain injunction against dealing in tickets issued for special occasions at reduced rates and marked not transferable. *Lytle v. Ry. Co.*, 100 Tex. 292.

<sup>1</sup> The term boycott has been defined as "a combination of individuals refusing to have business dealings with another until he removes or ameliorates conditions which are deemed inimical to the welfare of the members of the combination, or some of them, or grants concessions which are deemed to make for that purpose." *Lindsay v. Federation of Labor*, 37 Mont. 264. Under the authority of this case a labor organization using the boycott does not commit an unlawful act restrainable by injunction, even though loss results to the party boycotted unless the means employed to enforce the boycott are themselves unlawful. The giving of notices that the boycotted has been placed on the "unfair list" is, in certain cases, sufficient to establish such unlawful act, *Wilson v. Hey*, 232 Ill. 389; and where the combination of laborers is for the purpose of compelling a manufacturer to unionize his works on pain, if he refuses, of a boycott of his goods in

other states than his own, such a combination is illegal as in restraint of interstate commerce or trade under the Act of Congress of July 2, 1890, known as the Anti-trust Act. *Loewe v. Lawlor*, 208 U. S. 274. Where during a strike, a labor organization issues and posts circulars for the purpose of inducing patrons to withdraw their patronage, or to prevent non-union labor from being employed; and these circulars use such words as "unfair," "legalized highwayman" and "scabs," such a combination is illegal, and amounts to an unlawful conspiracy to interfere with and destroy the lawful business of another. And where there is also an exhortation by the strikers, addressed to the public, not to patronize the party against whom the strike is aimed, coupled with a notice that the strikers had voted to give their patronage only to such concerns as had refused to continue using such person's works, there arises a case where at the suit of the injured party, an injunction will issue restraining the members of the striking combination from prosecuting the objects of their conspiracy. *Bell Telephone Co. v. Federation of Labor*, 156 Fed. Rep. 809. But in all such cases a substantial pecuniary loss must be shown by the plaintiff to entitle him to an injunction without adequate remedy at law, or else that he is prevented from earning his living by such combination. *Atkins v. Fletcher Co.*, 65 N. J. Eq. 658.

the secretary. In the course of this strike, the plaintiffs' works and also those of a sub-manufacturer for them were picketed by persons, employed by the executive committee, who watched and beset the plaintiffs' works and those of their sub-manufacturer and the approaches thereto, for the purpose of persuading work people to abstain from working for the plaintiffs. It was admitted that they used no violence, intimidation or threats, but in the opinion of the court the evidence showed that the picketing and the acts done by the pickets, were done with a view to compel the plaintiffs to change their mode of conducting their own business. An injunction was granted. The ruling was affirmed on appeal, Lindley, M.R., saying:

"The truth is that to watch or beset a man's house with a view to compel him to do or not to do what is lawful for him not to do or to do is wrongful and without lawful authority unless some reasonable justification for it is consistent with the evidence. Such conduct seriously interferes with the ordinary comfort of human existence and the ordinary enjoyment of the house beset, and such conduct would support an action on the case for a nuisance at common law." The same view was also expressed by Chitty, L. J.<sup>1</sup>

<sup>1</sup> *Lyons v. Wilkins* [1899], 1 Ch. 255. See, also, *Barr v. Essex Trades Council*, 53 N. J. Eq. 101; *Vegeahn v. Guntner*, 167 Mass. 92; *Plant v. Woods*, 176 Id. 492; *Nat. Protection Ass'n v. Cumming*, 170 N. Y. 315; *Hawarden v. Youghioghney & Lehigh Coal Co.*, 111 Wis. 545; *Arthur v. Oakes*, 24 U. S. App. 239; *Hamilton Shoe Co. v. Saxey*, 131 Mo. 212; *Cabbell v. Williams*, 127 Ala. 320; *Cumberland Glass Mfg. Co. v. Glass Bottle Blowers' Ass'n*, 59 N. J. Eq. 49; *Beck v. Ry. Teamsters' Protective Union*, 118 Mich. 497; *Erdman v. Mitchell*, 207 Pa. 79; *Frank v. Herold*, 63 N. J. Eq. 443; *Jersey City Print. Co. v. Cassidy*, 63 Id. 759; *My Maryland Lodge v. Adt*, 100 Md. 238; *Gray v. Building Trades Council*, 91 Minn. 171; *Everett Waddey Co. v. Richmond Union*, 105 Va. 188; *Goldberg v. Stablemen's*, 140 Cal. 429; *Barnes v. Ty-*

*pographical Union*, 232 Ill. 424; *Reynolds v. Davis*, 198 Mass. 294. Picketing is not unlawful if it be used in good faith for persuasion, argument and the gaining of information, but becomes so only when used so for the purpose of intimidation, and intimidation may be established by the placing of large numbers of men as pickets at a point passed by the non-union men whom it is desired to influence. *Goldfield Mines Co. v. Miners' Union*, 159 Fed. Rep. 500. But the right of association for the purpose of employing pickets to support a strike cannot be protected by injunction. *Atkins v. Fletcher Co.*, 65 N. J. Eq. 658.

An injunction will be granted a mill owner for the protection of his property against a labor union which seeks, without threats or commission of violence or personal injury to



And the jurisdiction in such cases would seem to have, under the most recent decisions, a wider scope. In *Glamorgan Coal Co. v. South Wales Miners' Federation*<sup>1</sup> it was held that a person who on being asked, gives honest and *bona fide* advice to another which induces him to break a contract of service with a third person, is not liable to an action at the suit of that third person, even though he has sustained damage by the breach of the contract, and that the same rule applied in the case where several persons have combined to give advice if they have no malicious intention to injure the third person. This ruling however was reversed in the Court of Appeals in the case of *Glamorgan Coal Co. v. South Wales Miners' Federation*.<sup>2</sup>

It appeared in that case that the miners employed at the collieries in South Wales, without giving notice to their employers, and in breach of their contracts with them, abstained from working on certain days called "stock days." In doing so the miners acted under the direction or order of a federation of the miners given by their executive council. The object of procuring this breach of contract was to keep up the price of coal upon which the amount of the miners' wages depended. It was under these circumstances held that the defendants were liable in damages, there being no sufficient justification for their interference; and in the judgment of Romer, L. J., it was said that "in the case of a contract between master and servant it is not sufficient for the person who procures a breach by the servant to show that he had no personal animus against the master or that it was to the interest of himself and the servant that the contract should be broken." It was moreover intimated that an injunction would be issued if necessary.<sup>3</sup>

As to private nuisances, the injured party might abate them—i. e., he could remove them without resorting to any court, either of law or of equity. It was one of the cases of "redress

coerce him in such a way that he would be compelled to employ only union workmen, to submit himself to the control of the union, and to put himself within its power to dictate to him the number of hours to constitute a day's work in his mill, the compensation to be paid therefor, the time of payment thereof and the selection of his employés. *Purvis*

*v. United Brotherhood*, 214 Pa. 348.

<sup>1</sup> [1903] 1 K. B. 118.

<sup>2</sup> [1903] 2 K. B. 545.

<sup>3</sup> See to the same effect *Flaccus v. Smith*, 199 Pa. 128; *O'Neill v. Behanna*, 182 Id. 236; *Quinn v. Leatham* [1901], A. C. 495, and *Allen v. Flood* [1898], A. C. 1; *Beekman v. Marsters*, 195 Mass. 205.

by act of party." That this mode of getting rid of a nuisance is still recognized is illustrated by the case of *Lane v. Capsey*,<sup>1</sup> where the court gave leave to a complaining party to tear down an inhabited dwelling which was alleged to be obstructive, and which was in possession of a receiver appointed by the court, in order to test the justice of the claim.

The remedies at common law for a private nuisance were, an action on the case to recover damages, the assize of nuisance, which lay originally only against the wrong-doer, but was subsequently extended as against the alienee by the statute of Westminster the Second; and the writ *quod permittat prosternere*, which lay against the alienee as well as the wrong-doer, and was in the nature of a writ of right. These last two remedies fell out of use in England, and were finally abolished by Statute 3 and 4 Will. IV., c. 27; so that the only remedy which remained in use in the common-law courts was the action on the case for damages.

It is obvious that this remedy is very insufficient. If one man is carrying on a trade near another's house which is injurious to the health of the latter, and destructive to his property, a recovery of damages is manifestly but a poor redress. Hence equity will interfere by injunction to restrain the continuance of the noxious trade, and thus effectually put a stop to the injury. This jurisdiction in cases of nuisance is of an ancient date, and has been traced back to the reign of Elizabeth,<sup>2</sup> since which time it has been continuously exercised; and the modern doctrine may be stated in general terms to be that equity has concurrent jurisdiction with courts of law in all cases of private nuisance, the interference of chancery in any particular case being justified on the ground of restraining irreparable mischief, or of suppressing interminable litigation, or of preventing multiplicity of suits.<sup>3</sup>

<sup>1</sup> [1891] 3 Ch. 411. See, also, *Fields v. Stokley*, 99 Pa. 306.

<sup>2</sup> "The bill was to be relieved of a nuisance committed by the defendant to the plaintiff's mill, by erecting a new mill and turning or letting the watercourse from serving the plaintiff's mill; but for that the plaintiff, since the bill exhibited, had brought an assize of nuisance at law, there-

fore the cause is dismissed, if cause be not shown. *Osburne*, plaintiff, *Barter and Goddins*, defendants. Anno 26 Elis." *Choyce Cases in Chancery*, p. 176. (Reprint of 1870.) See *Bitting's Appeal*, 105 Pa. 517; *Ulbricht v. Eufaula W. Co.*, 86 Ala. 587.

<sup>3</sup> *Carlisle v. Cooper*, 21 N. J. Eq. 576; *Baron v. Korn*, 127 N. Y. 224. *Ward v. Ohio River R. Co.*, 35 W.

On the other hand, when the alleged nuisance consists in something which produces purely personal annoyance without injury to the property, except as a subject of personal enjoyment, the question is emphatically one of degree. Such things, to offend against the law, must be done in a manner which, beyond fair controversy, ought to be regarded as exceptive and unreasonable. Therefore, in *Gaunt v. Fynney*,<sup>1</sup> where trifling annoyance had been occasioned by the noise and vibration from a silk mill, which had been acquiesced in for some time, the court refused the injunction. Where, however, business which is carried on is physically offensive to the senses, and, therefore, by producing physical discomfort, renders houses in the neighborhood unfit for residences, it will be a nuisance; and not the less so because there may be persons whose habits of life have brought them to endure the same annoyance without discomfort.<sup>2</sup>

The same principles as those laid down in these cases have been generally recognized and applied in the courts throughout the United States,<sup>3</sup> and in other decisions in England;<sup>4</sup> and the

<sup>1</sup> L. R. 8 Ch. 8. See the remarks on *Gaunt v. Fynney* in *Reinhardt v. Mentasti*, 42 Ch. D. 687-688. In this case the defendants put up a stove in such a position that the heat injured wine in plaintiff's cellar—injunction granted. In *Broder v. Saillard*, 2 Ch. D. 692, Sir George Jessel said that a man was entitled to the comfortable enjoyment of his dwelling-house, and that if such ordinary, comfortable enjoyment were interfered with, the interference was a nuisance. It was no answer, he held, to say that the defendant was only making a *reasonable use* of his property; and this language was approved in *Reinhardt v. Mentasti* (*supra*). See *Attorney-General v. Cole* [1901], 1 Ch. 205, and *McCaffrey's Appeal*, 105 Pa. 253.

<sup>2</sup> *Cleveland v. Citizens' Gas Light Co.*, 20 N. J. Eq. 201; *Evans v. Reading Chemical Co.*, 160 Pa. 209.

<sup>3</sup> *Rhodes v. Dunbar*, 57 Pa. 274; *Richards's Appeal*, Id. 105; *New*

*Boston, etc., Co. v. Pottsville Water Co.*, 54 Id. 171; *Rodenhausen v. Craven*, 141 Id. 546; *Cleveland v. Citizens' Gas Light Co.*, 20 N. J. Eq. 201; *Carlisle v. Cooper*, 21 Id. 576; *Ross v. Butler*, 19 Id. 294; *Webber v. Gage*, 39 N. H. 182; *Farrell v. Cook*, 16 Neb. 483; *Parker v. Winnipiseogee Co.*, 2 Black (U. S.), 545; *McMoran v. Fitzgerald*, 106 Mich. 649; *United States v. Luce*, 141 Fed. Rep. 385; *Froelicher v. Oswald Ironworks*, 111 La. 705; *Madison v. Copper Co.*, 113 Tenn. 331; *Perrin v. Crescent City Co.*, 119 La. 83.

<sup>4</sup> *Walter v. Selfe*, 4 De G. & Sm. 315; *Crump v. Lambert*, L. R. 3 Eq. 409; *Soltau v. De Held*, 2 Sim. (N. S.) 133; *Wood v. Sutcliffe*, Id. 163; *Boestock v. North Stafford R. Co.*, 5 De G. & Sm. 584; *Hole v. Barlow*, 4 C. B. (N. S.) 334; *Robson v. Whittingham*, L. R. 1 Ch. 442; *Crossley v. Lightowler*, 2 Id. 478; *Att.-Gen. v. Bradford Canal*, L. R. 2 Eq. 71; *Jenkins v. Jackson*, 40 Ch. D. 71. In

result of the recent cases may be summed up in the language of Lord Chancellor Halsbury in *Fleming v. Hislop*,<sup>1</sup> where it is said that "what makes life less comfortable and causes sensible discomfort and annoyance, is a proper subject of injunction."

#### 440. How far complainant's title at law must be established.

The right to an injunction to restrain a nuisance depends very often upon a preliminary question as to the plaintiff's legal right, that is to say, whether his legal right has been admitted or established. To illustrate: suppose a bill is filed to restrain a defendant from erecting a wall whereby the alleged ancient lights of the complainant would be darkened. Now, the question of nuisance or no nuisance in this case would obviously depend upon the ascertainment of a preliminary fact—viz., whether the complainant actually had a right to his windows as ancient lights—because, if he fails to show this, or fails to show that by some other means—*e. g.*, a grant of an easement—he has acquired the right to unobstructed windows, the act of the defendant is obviously no nuisance.<sup>2</sup>

And, in the same way, if the act complained of is not a nuisance *per se*, the question whether it does, in fact, amount to a nuisance, must be disposed of, in the first instance, before the complainant's right to have it abated can be considered.<sup>3</sup>

a locality devoted to noisy trades, such as the printing and allied trades, if a printing-house or factory subjects the occupier of an adjoining residence to such an increase of noise as to interfere substantially with the ordinary comfort of human existence according to the standard of comfort prevailing in the locality, that is sufficient to constitute an actionable wrong entitling that occupier to an injunction. *Rushmer v. Polsue* [1906], 1 Ch. 234, *aff'd* *Polsue v. Rushmer* [1907], A. C. 121.

<sup>1</sup> 11 App. Cas. 686. See, also, *Shelfer v. City of London Electric Co.* [1895], 1 Ch. 287.

<sup>2</sup> *Biddle v. Ash*, 2 Ashm. 211; *Rhea v. Forsyth*, 37 Pa. 507; *Mowday v. Moore*, 133 Id. 611. See, also,

*Fernie v. Young*, 16 Law T. Rep. (N. S.) 637; *White v. Booth*, 7 Vt. 131; *Boynton v. Hall*, 100 Me. 131; *Coe v. Winnipiseogee Co.*, 37 N. H. 254; *Eastman v. Amoskeag Co.*, 47 Id. 71; *Mammoth Vein Coal Co.'s Appeal*, 54 Pa. 181; *Brown's Appeal*, 62 Id. 17; *Patterson's Appeal*, 129 Ill. 111; *Hart v. Mayor of Albany*, 3 Paige Ch. 213; *Reid v. Gifford*, 6 Johns. Ch. 19; *Frizzle v. Patrick*, 5 Jon. Eq. 354; *Caldwell v. Knott*, 10 Yerg. 209; *Arnold v. Klepper*, 24 Mo. 273; *McCord v. Iker*, 12 Ohio, 387; *Zinc Co. v. Franklinite Co.*, 13 N. J. Eq. 322; *Durant v. Williamson*, 7 Id. 547; *Carlisle v. Cooper*, 21 Id. 576; *New York & N. J. Tel. Co. v. East Orange*, 42 Id. 490; *High on Injunctions*, § 486.

<sup>3</sup> *City of New Castle v. Raney*, 130

Now, if the complainant's legal right is admitted, or if it be clearly established, then his right to an injunction is plain.<sup>1</sup> But if it is manifest that the complainant has no legal right, the injunction must be refused.

If the case falls between these two—that is to say, if the complainant's title is doubtful, the ordinary rule is not to interfere until his title has been established at law.<sup>2</sup> Where, however, the emergency is pressing, and the threatened damage would be irreparable, and the plaintiff makes out a fair *prima facie* title, even though that title may be disputed, in such a case a special injunction ought to issue, but at the same time the complainant ought to take diligent steps to have his legal right tried and established.<sup>3</sup>

The tendency of the modern decisions is certainly very much against the old rule which required the prior establishment of the legal right; and it has been justly said, in a comparatively recent case, that this tendency properly requires some restatement of the limits of the jurisdiction. Accordingly, the modern rule may be said to be that the threatened injury may be enjoined without waiting for the establishment of the complainant's title at law, whenever the damage is imminent and irrep-

Pa. 546; *Whitmore v. Brown*, 102 Me. 47.

<sup>1</sup> See *Gas Co. v. Broadbent*, 7 H. L. Cas. 600; *Denton v. Leddell*, 23 N. J. Eq. 64; *Wilmarth v. Woodcock*, 66 Mich. 331; *Ferguson's Appeal*, 117 Pa. 426; *Bright v. Allan*, 203 Id. 390; *Wilson v. Cather*, 214 Pa. 3. Where plaintiffs have only a right of way over the land in question the right to an injunction does not depend on whether the defendant has title to the land but whether the plaintiffs have the title or the right to the possession of it. If they have neither, except as to a right of way, they cannot contest the defendant's right to occupy any other part of the premises. *Llewellyn v. Cauffiel*, 215 Pa. 23.

<sup>2</sup> See authorities cited in note 2, page 633; also *Washburn's App.*, 105 Pa. 480; *Coward v. Llewellyn*, 209

Pa. 582. A court of equity will restrain a threatened interference with the exercise of a right without a prior adjudication at law where the right is clear and there is no serious dispute as to any of the material facts. It is not enough for the defendant to deny plaintiff's right; his denial must be based upon facts which show a substantial dispute. *Piro v. Shipley*, 211 Pa. 36.

<sup>3</sup> See *Holsman v. Boiling Spring Co.*, 14 N. J. Eq. 335; *Duncan v. Hayes*, 22 Id. 25; *Carlisle v. Cooper*, 21 Id. 576; *McCallum v. Germantown Water Co.*, 54 Pa. 40; *Gardner v. Newburgh*, 2 Johns. Ch. 162; *Soltau v. De Held*, 2 Sim. (N. S.) 133; *Kerr on Injunctions*, 197, 336, 340; *Baron v. Korn*, 127 N. Y. 224; *Dierks v. Comrs. of Highways*, 142 Ill. 197.

continued, will ultimately become a nuisance, the mere fact that the annoyance is scarcely at present appreciable will not prevent the court from interfering. Thus, where the pollution of a stream is very slight and only at times perceptible, but it is shown that the pollution is increasing, and will, in process of time, become an absolute nuisance, it has been held that the act which produces this result will be enjoined.<sup>1</sup> A bill to enjoin a nuisance is usually brought by the occupier, or by the lessee in possession; but the owner may sue on the ground of injury to his property, either alone or conjointly with the occupier.<sup>2</sup>

#### 441. Different kinds of nuisance.

The different kinds of nuisances are of course numerous and varied; and whether or not a court of equity will interfere will depend very much upon the circumstances of the particular case.

It is a nuisance, as has been already stated, to obstruct the light and air to which the owner of a building is legally entitled;<sup>3</sup> but it is not a nuisance simply to shut out a pleasant prospect, or to erect disagreeable objects in view, or to open windows whereby a man's private grounds may be overlooked.<sup>4</sup>

The enjoyment of pure and wholesome air is a right to which the occupiers of land are entitled as of common right; and any act which pollutes and corrupts the air so as to produce a real and sensible damage constitutes a nuisance.<sup>5</sup> It would be im-

<sup>1</sup> *Goldsmid v. Tunbridge Wells Improvement Co.*, 12 Jur. (N. S.) 308; *McCallum v. Germantown Water Co.*, 54 Pa. 52; *Rigney v. Tacoma Water Co.*, 9 Wash. 576; *Barrett v. Mt. Greenwood Cem. Ass'n*, 159 Ill. 385; *Story's Eq.* § 929, *d.*

<sup>2</sup> *Kerr on Injunctions*, 336.

<sup>3</sup> *Johnson v. Wyatt*, 2 De G., J. & S. 18, 26; *Robson v. Whittingham*, L. R. 1 Ch. 442; *Staight v. Burn*, 5 Id. 163; *Aynsley v. Glover*, 10 Id. 283; *Sutcliff v. Isaacs*, 1 Pars. Eq. 494; *Biddle v. Ash*, 2 Ashm. 211. The English rule upon the subject of ancient lights has not been generally followed in this country. *King v. Miller*, 8 N. J. Eq. 559; *Cherry v. Stein*, 11 Md. 1; *Townsend v. Epstein*, 93 Id. 537; *High on Injunc-*

*tions*, § 553; and see *Hulley v. Security, etc., Co.*, 5 Del. Ch. 578.

<sup>4</sup> *Aldred's Case*, 9 Coke, 58, *a*; *Webb v. Bird*, 10 C. B. (N. S.) 276; *Jones v. Tapling*, 12 Id. 842, *per Blackburn, J.*; *Att. Gen. v. Doughty*, 2 Ves. Sr. 453; *Vollmer's Appeal*, 61 Pa. 118. See *Detroit B. B. Club v. Deppert*, 61 Mich. 63. Nor is picketing, where no force, threats or intimidations are used, a nuisance. *Karges Furniture Co. v. Amalgamated Union*, 165 Ind. 421.

<sup>5</sup> *Kaspar v. Dawson*, 71 Conn. 405 (odors caused by deposit of manure); *Kerr on Injunctions*, 360; *American Smelting Co. v. Godfrey*, 168 Fed. Rep. 225, the facts and rulings of the court are there stated thus: "Complainants to the number of

Noisy manufactories may be nuisances, especially when accompanied by a vibration;<sup>1</sup> and mere noise, from whatever cause, will, on a proper case being made out, be a sufficient ground for an injunction.<sup>2</sup>

But the jurisdiction in all these cases should be exercised with great caution. Lord Chancellor Selborne, in *Gaunt v. Fynney*.<sup>3</sup>

The wasting of natural gas was enjoined as a nuisance in *State v. Ohio Oil Co.*, 150 Ind. 21. Except for the benefit and improvement of his own premises or for his own beneficial use the owner of land has no right to drain, collect, or divert *percolating waters thereon* when such act will destroy or materially injure the spring of another person, the waters of which spring are used by the general public for domestic purposes. He must not drain, collect or divert such waters for the sole purpose of wasting them. Such waste may be restrained by injunction. *Stillwater Water Co. v. Farmer*, 89 Minn. 58 (a rather advanced case, so considered by the judge who wrote the opinion). See, also, *Pence v. Carney*, 58 W. Va. 296; a hospital, *Deaconess Hospital v. Bontjes*, 207 Ill. 553; illegal sale of intoxicating liquors, *Walker v. McNelly*, 121 Ga. 114; a fair occupying 75 feet in width and four blocks in length of an important business street of a city, *City Council v. Reynolds*, 122 Ga. 754; an ice chute so constructed across a street as to obstruct travel, *Young v. Rothrock*, 121 Ia. 588; to prevent the use of a theatre for a prize fight, but not to enjoin the principals as the criminal law is adequate, *Commonwealth v. McGovern*, 116 Ky. 212; the maintenance and operation of an electric fan forcing impure and offensively smelling air into a building is a nuisance the maintenance of which would be enjoined, *Vaughan v. Bridgham*, 193 Mass. 392; a public

bull fight, *State v. Canty*, 207 Mo. 439; dogs apt to kill sleep and disturb the reasonable enjoyment of a house by howling and barking, and the rest and sleep of a neighbor and his family is a nuisance restrainable by injunction, *Herring v. Wilton*, 106 Va. 171.

<sup>1</sup> *Demarest v. Hardham*, 34 N. J. Eq. 469; *Hoadley v. Seward*, 71 Conn. 640.

<sup>2</sup> *White v. Cohen*, 1 Drew. 313; *Soltau v. De Held*, 2 Sim. (n. s.) 133; *Crump v. Lambert*, L. R. 3 Eq. 409; *Harrison v. St. Mark's Church*, 3 W. N. C. 389; affirmed on appeal, 34 Leg. Int. 222; *Cluney v. Lee Wai*, 10 Haw. 319; *Butterfield v. Klaber*, Id. 87; *Leete v. Pilgrim Cong. Soc.*, 14 Mo. App. 590; *Bradley v. Gill*, *Lutwyche*, 29; *Inchbald v. Barrington*, L. R. 4 Ch. App. 388; *Ball v. Ray*, 8 Id. 467; *Broder v. Saillard*, 2 Ch. D. 692; *Bishop v. Banks*, 33 Conn. 118; *Roskell v. Whitworth*, 19 Week. Rep. 804; *Scott v. Firth*, 10 Law Times (N. s.), 240; *Christie v. Davey* [1893], 1 Ch. 316; *Lambton v. Mellish* [1894], 3 Ch. 163; *Fish v. Dodge*, 4 Denio, 311; *Dennis v. Eckhardt*, 3 Grant's Cas. 390; *Whitaker v. Hudson*, 65 Ga. 43; *Davis v. Sawyer*, 133 Mass. 289; 22 Am. Law Reg. 636; *Wood on Nuisances*, Chap. XVI.

<sup>3</sup> L. R. 8 Ch. 11. See, also, the remarks of Lord Westbury in *Tipping v. St. Helen's Smelt. Co.*, 11 H. L. Cas. 649; *Huckenstine's App.*, 70 Pa. 107; *Sparhawk v. Union Pass. R. Co.*, 54 Id. 401; *Browne v. Niles*, 165 Mass. 276.

Equity entertains jurisdiction by injunction in cases of purpresture. A purpresture originally signified a close or enclosure; that is, where one encroaches, or makes that several to himself which ought to be common to many.<sup>1</sup> In its common acceptance it afterward came to mean an encroachment upon the king, either upon part of his demense lands, or upon rights and easements held by him for the public, such as upon highways, public rivers, forts, streets, squares, bridges, quays, and other public accommodations; and the tendency now is, perhaps, to restrict its signification to an invasion or an encroachment on the soil of the seashore, or bed of an estuary or navigable tidal river between high- and low-water mark while the same remains in the Crown. To constitute a public nuisance it should be shown that the purpresture is productive of damage to some public right. If the act complained of be a mere purpresture without being at the same time a nuisance, the court will usually direct an inquiry to be made whether it is more beneficial to the Crown to abate the purpresture, or to suffer the erection to remain and be arrested. But if the purpresture be also a public nuisance, this cannot be done, for the Crown cannot sanction a public nuisance.<sup>2</sup>

A bill in equity to abate a public nuisance filed by one who has sustained special damage, has succeeded to the former mode in England of an information in chancery, prosecuted on behalf of the Crown to abate or enjoin the nuisance, as a preventive remedy; and the jurisdiction of Courts of Chancery in such cases is well established in this country.<sup>3</sup> Unless the party who files the bill can show that he has sustained, and is still sustaining, individual damage, his bill cannot be maintained.<sup>4</sup> If the injury suffered is one which has been sustained in common with other citizens, and the damage is not special or peculiar, the injunction will be dissolved.<sup>5</sup> If the injury can be compensated

High on Injunctions, 279 *et seq.* And see *Jordeson v. Sutton, etc.*, Gas Co. [1899], 2 Ch. 217.

<sup>1</sup> Co. Litt. 2d Institute, 38, 272; Story's Eq. Jurisp. § 921.

<sup>2</sup> Kerr on Injunctions, 395, 396. See Revell v. The People, 177 Ill. 480, for a discussion of this subject.

<sup>3</sup> *State of Pennsylvania v. Wheeling Bridge Co.*, 13 How. 564. See *City of Chicago v. Stock Yards Co.*,

164 Ill. 228; *Cicero Lumber Co. v. Town of Cicero*, 176 Ill. 10.

<sup>4</sup> *Miss. & Mo. Co. v. Ward*, 2 Black (U. S.), 492; *Hinchman v. Paterson Horse R. Co.*, 17 N. J. Eq. 75; *Att.-Gen. v. Utica Ins. Co.*, 2 Johns. Ch. 379; *Heer, etc., Co. v. Railway Co.*, 41 Mo. App. 63; *Cummings Co. v. Deere*, 208 Mo. 66.

<sup>5</sup> *Allen v. Board of Freeholders*, 13 N. J. Eq. 68. See, upon the general



may be settled at once and forever, and the wrongful acts of the defendant may be permanently stopped.

The equitable remedy possesses an advantage over the common-law action in obtaining three results which cannot be reached by a suit for damages, viz., (1) Inspection; (2) Injunction; and (3) Account.

#### 445. Inspection.

The first of these advantages is most frequently shown in cases of bills to restrain violations of patent-rights. It sometimes happens that a patentee is unable to ascertain how, or in what particulars, the machinery used by his rival is a violation of his right. In such cases a court of equity will, upon a fair *prima facie* case being made out, order the defendant to permit an inspection to be made of his premises and machinery by proper persons named on behalf of the plaintiff.<sup>1</sup>

#### 446. Injunction.

In the second place, the equitable remedy by special injunction is efficacious in restraining at once the violation of the complainant's rights, if a proper case for such relief is made out on preliminary application; while, after the right of the complainant and the fact of infringement have been duly established, the perpetual injunction forever prevents infringements in the future.

#### 447. Account.

Thirdly, for the purpose of affording complete relief equity will order an account by the defendant of all the profits which he has made, and will compel him to make discovery for the purpose of ascertaining such profits. In taking the account the court is ordinarily confined to the profits actually made. Thus, the court cannot estimate how many copies of an expensive book have been excluded from the market by the unauthorized publication of a cheaper copy.<sup>2</sup> In cases of patents, however, the courts of equity in England are authorized by statute to inquire into the question of damages in addition to, or in substitution for, an account.<sup>3</sup> And in cases of infringement of rights of literary property—e. g., a dramatic composition—an inquiry has been directed to ascertain how much a license to represent the play would have been worth.<sup>4</sup>

<sup>1</sup> Kerr on Injunctions, 433.

<sup>2</sup> Stat. 21 and 22 Vict., c. 27.

<sup>3</sup> Colburn v. Simms, 2 Hare, 543;  
Kerr on Injunctions, 472.

<sup>4</sup> Keene v. Wheatley, 9 Am. Law  
Reg. 92.

extend its application with considerable liberality; so that it is now by no means necessary, as a general rule, that there should be a trial at law whereby the validity of the complainant's title may be established before an injunction goes out, even (it would seem) in the case of a final injunction.<sup>1</sup> The question, however, must be one as to the decision of which the court is to exercise a sound discretion,<sup>2</sup> and it has been said that this discretion should be exercised only "when the complainant's title and the defendant's infringement are admitted, or are so clear and palpable that the court can entertain no doubt upon the subject."<sup>3</sup> If the patent be an old one, that is a strong circumstance in favor of letting the injunction go out. If it be but of yesterday, the remedy is to be applied with more caution, and stronger *prima facie* proof of title and infringement will be required. Many other circumstances may exist whereon the propriety of issuing the injunction may depend. Thus, the defendant's *bona fides* in acting under letters patent of his own; the hardship of the particular case; the defendant's solvency; and the diligence of the complainant should all be considered.<sup>4</sup>

In this country, contrary to the English rule, an account may be granted although the injunction is refused.<sup>5</sup> Thus, if the patent has expired between the time of filing the bill and the hearing, an account may be directed, though no injunction will be allowed against the future use of the article.<sup>6</sup>

#### 450. Copyright.

Copyright, according to the legal acceptance of the term, is the exclusive right or monopoly of multiplying a work of literature or art after it has been published; the right, in other words, of preventing all others from copying, by printing or otherwise, a work of literature or art which the author has published.<sup>7</sup>

<sup>1</sup> *Sickles v. Gloucester Manufacturing Co.*, 1 Fish. Pat. Cas. 222; *Sanders v. Logan*, 2 Id. 167; *Potter v. Muller*, Id. 465; *Shelly v. Brannan*, 4 Id. 198.

<sup>2</sup> *Brooks v. Norcross*, 2 Fish. Pat. Cas. 661; *Potter v. Fuller*, Id. 251; *Motte v. Bennett*, Id. 642. See this last case, also, for a discussion of the general subject of equity jurisdiction in cases of patents. See *High on Injunctions*, § 604.

<sup>3</sup> *Bailey Wringing Machine Co. v. Adams*, 5 Reporter, 102; *Parker v. Sears*, 1 Fish. Pat. Cas. 96.

<sup>4</sup> *High on Injunctions*, §§ 616 *et seq.*

<sup>5</sup> *Sickles v. Gloucester Mfg. Co.*, 1 Fish. Pat. Cas. 222; *Imlay v. Norwich, etc., R. Co.*, 4 Blatch. 227.

<sup>6</sup> *Imlay v. Norwich*, *ut sup.*; *High on Injunctions*, § 623.

<sup>7</sup> See *Kerr on Injunctions*, 445; *Stephens v. Cady*, 14 How, 530; *Hilliard on Injunctions*, 525 *et seq.*

priation of the labors of the original author.<sup>1</sup> *Bona fide* extracts, and quotations from a book are not infringements of a copyright, nor is a *bona fide* abridgment. It is scarcely possible, however, to lay down any general rule upon this subject, as the question is one of degree rather than of kind, and the decision must, in most instances, depend upon the particular circumstances of the case under consideration. A few of the leading authorities upon this subject will be found in the note.<sup>2</sup>

It is no objection to an injunction that it will stop the sale of the work by which the copyright is infringed. If a man chooses to make an unlawful appropriation of another's work to such an extent that the original portions of his own book cannot be separated from the parts which have been improperly appropriated, he must pay the penalty for so doing.<sup>3</sup>

To constitute a piracy there must be a multiplication of copies of the original work. Any other use of it, such as for the purpose of public reading or recitations, will not be a piracy;<sup>4</sup> but any multiplication of copies, even though such new copies are not designed for sale, will be an infringement.<sup>5</sup>

#### 453. Other requisites to an injunction.

There can be no copyright of works which are manifestly irreligious, immoral, and obscene; and a court of equity will not interfere by injunction to protect such works. This rule, however, is one which requires to be applied with extreme caution and delicacy; for it is not unfrequently the case that what to one man would appear to be highly irreligious, would to another seem but a fair and candid investigation or criticism.<sup>6</sup>

It may be added that the jurisdiction of equity is exercised solely on the ground of protection to property; and that there is no jurisdiction to restrain the publication of improper or libellous works merely on account of their mischievous character. Moreover, for a libel there is a complete remedy at law.<sup>7</sup>

<sup>1</sup> Shortt on the Law of Literature and Art, 248.

<sup>2</sup> Folsom v. Marsh, 2 Story, 100; Gray v. Russell, 1 Id. 11; Blunt v. Patten, 2 Paine, 397; Story's Ex'rs v. Holcombe, 4 McLean, 306; Warne & Co. v. Seebohm, 39 Ch. D. 73; Stowe v. Thomas, 2 Am. Law Reg. 210.

<sup>3</sup> Jarrold v. Houlston, 3 K. & J. 708; Emerson v. Davies, 3 Story, 768.

<sup>4</sup> Reade v. Conquest, 9 C. B. (N. S.) 755; Tinsley v. Lacy, 1 Hem. & M. 747.

<sup>5</sup> Novello v. Sudlow, 12 C. B. 177.

<sup>6</sup> High on Injunctions, § 642; Story's Eq. Jurisp. § 936.

<sup>7</sup> Brandreth v. Lance, 8 Paige Ch. 24; Marlin Fire Arms Co. v. Shields, 171 N. Y. 384; Dailey v. Superior Court, 112 Cal. 94. See *post*, note at

#### 455. Questions as to publication.

The questions which have most frequently arisen upon this subject are as to publication. If there has been a publication, the right is, of course, gone. But whether there has or has not been a publication is often a difficult question. The representation of a play at a theatre is not such a publication as will deprive the author of his common-law right.<sup>1</sup> And the publication of lectures was restrained before the passage of the Act of Parliament for their protection, on the ground of a breach of confidence.<sup>2</sup>

Equity will also restrain the publication of letters; for while the person who receives letters has a right to the possession thereof, he has only a property for a special purpose, and not for the purpose of publication.<sup>3</sup> Under certain circumstances, however, the recipient of letters *may* have a right to publish them; *e. g.*, where it is necessary to vindicate his character, or for the purposes of justice.<sup>4</sup> The writer of letters has a right to

<sup>1</sup> *Palmer v. De Witt*, 2 Sweeney, 530. See, also, *Keene v. Wheatley*, 9 Am. Law Reg. 33, where the whole subject is examined at length by Judge Cadwalader.

<sup>2</sup> *Abernethy v. Hutchinson*, 3 L. J. Ch. 209.

<sup>3</sup> *Pope v. Curl*, 2 Atk. 342. See *Hopkinson v. Burghley*, L. R. 2 Ch. 447; *Dock v. Dock*, 180 Pa. 14; *Barrett v. Fish*, 72 Vt. 18. Although at common law the writer of a letter and his legal personal representatives are entitled to prevent its publication, and this is a right of property, the copyright in a letter published after the death of the writer is vested by the Copyright Act, 1842, in the proprietor of the letter itself, *i. e.*, of the paper and the writing upon it.

The proprietors of unpublished manuscripts, written by an author long deceased, assigned to S. E. & Co., in 1895, "all copyright which we possess and the exclusive right of publishing the entire collection of letters," S. E. & Co., "undertaking to return to us all the MSS. when

copied." S. E. & Co. copied the letters, published them in 1898, and returned the originals to the assignors. The defendant subsequently purchased the originals from the assignors, with any rights which they might still have therein. He also took from the legal personal representative of the deceased author an assignment of the copyright and all other rights of the author in the letters. S. E. & Co. were now registered as owners of the copyright:

Held, that by the assignment S. E. & Co. had become proprietors of the author's manuscript so as to enable them by first publication to obtain the copyright in the letters, and that they were entitled to an injunction restraining the defendant from publishing the letters. *Macmillan & Co. v. Dent* [1907], 1 Ch. 107.

<sup>4</sup> *Lord Perceval v. Phipps*, 2 V. & B. 25; *Gee v. Pritchard*, 2 Swanst. 428; *Folsom v. Marsh*, 2 Story, 400; *Barrett v. Fish*, 72 Vt. 18.

or whether the interference of the Court of Chancery may be properly called for and beneficially applied.<sup>1</sup>

Moreover, where there is a duty to render an account, *e. g.*, on the part of an agent or steward, and discovery is required, a bill will lie.<sup>2</sup>

A bill in equity will not ordinarily lie on behalf of an agent against his principal, where the ground for invoking the jurisdiction is *discovery*, for it is the duty of the agent, and not that of the principal, to keep the accounts.<sup>3</sup> But where the accounts are mutual, or complicated, or where the nature of the employment (as, for example, that of a steward) is such that money is often paid in confidence without vouchers, such a bill will lie.<sup>4</sup>

The prevention of a multiplicity of suits, or the necessity for discovery, will sustain a bill for an account;<sup>5</sup> although it has been held that the bill depends rather upon the existence of a fiduciary relation than on the need of discovery.<sup>6</sup>

#### 485. Plea of stated account.

It has been already observed that where an account has been settled between the parties, and a balance struck, the remedy by a common-law action is entirely adequate, and there is, therefore, no occasion for the exercise of the equitable remedy. It

<sup>1</sup> See *Bierbower's Appeal*, 107 Pa. 17; *North Eastern R. Co. v. Martin*, 5 Phillips, 758; *South Eastern R. Co. v. Brogden*, 3 MacN. & G. 23; *Foley v. Hill*, 2 H. L. Cas. 28; *Anderson v. Noble*, 1 Drew. 143; *Bliss v. Smith*, 34 Beav. 508; *Pike v. Dickinson*, L. R. 7 Ch. 61, and *Great Western Ins. Co. v. Cunliffe*, 9 Id. 525. See, also, *Miller v. Kent*, 16 Fed. Rep. 13; *Gaines v. The City of New Orleans*, 17 Id. 16 (particularly the latter case, for a full discussion of the general subject); *Tateum v. Ross*, 150 Mass. 440; *Petrie v. Torrent*, 88 Mich. 43, and *Upton v. Paxton*, 72 Ia. 259; *Miller v. Russell*, 224 Ill. 68.

<sup>2</sup> *Appeal of Clarke et al.*, 107 Pa. 436; *Adams's Doctrine of Equity*, 221; *Porter v. Young*, 85 Va. 49; *Hoke v. Davis*, 33 W. Va. 485; *Nash v. Burchard*, 87 Mich. 85.

<sup>3</sup> *Wilson v. Mallett*, 4 Sanf. (S. C.) 112; *Smith v. Leveaux*, 2 De G., J. & Sm. 1; *Dinwiddie v. Bailey*, 6 Ves. 136; *Lynch v. Willard*, 6 Johns. Ch. 342.

<sup>4</sup> See *Smith v. Leveaux*, 2 De G., J. & Sm. 1; *Dinwiddie v. Bailey*, 6 Ves. 136; *Allison v. Herring*, 9 Sim. 583; *Ludlow v. Simond*, 2 Ca. Cas. E. 1, 39, 53; *Kerr v. The Steamboat Co.*, 1 Cheves (2d part), 189.

<sup>5</sup> See *Armstrong v. Gilchrist*, 2 Johns. Ch. 424; *Rathbone v. Warren*, 10 Johns. 587; *King v. Baldwin*, 17 Id. 384; *Story's Eq. § 456*; *Daniel's Ch. Prac.* 576. The former is the basis of the decree for an account in granting an injunction to restrain waste. See *Lippincott v. Barton*, 42 N. J. Eq. 272.

<sup>6</sup> *Marvin v. Brooks*, 94 N. Y. 71; *Coggswell v. Griffith*, 23 Neb. 334.

necessarily follows that a plea of stated account will be a bar to a bill for an account. The plea is good as to discovery as well as to relief. In referring such a case to a master, it is usual to direct that if he finds any account stated he shall not disturb it.<sup>1</sup>

What will constitute a stated account is sometimes a difficult question, and depends, as a general rule, upon the circumstances of the particular case. It is not necessary that the account, alleged to be a stated account, should be signed by the parties. Acquiescence may be proved by other evidence; and sometimes is presumed from conduct. Keeping an account for a length of time without objection, may justify a presumption of acquiescence.<sup>2</sup> But such delay is only one of many elements to be taken into consideration; and the presumption to which it gives rise is liable to be rebutted.<sup>3</sup>

#### 486. Leave to surcharge and falsify.

A stated account may be reopened for fraud, or for error in particular items.<sup>4</sup> In such cases the court will sometimes direct the whole account to be reopened;<sup>5</sup> in other cases the complainant will be granted leave to surcharge and falsify.<sup>6</sup>

To surcharge is to show that a proper credit has been omitted; to falsify is to show that an improper charge has been inserted.<sup>7</sup> For the purpose of surcharging or falsifying an account, the erroneous items must be specified in the pleadings. Hence, where there is a mere bill for an account, in which no specific errors are pointed out, and a plea of a stated account is put in, the complainant must amend his bill, and charge either fraud

<sup>1</sup> *Weed v. Small*, 7 Paige Ch. 573; *Bullock v. Boyd*, 4 Edw. Ch. 293; *Dial's Ex'rs v. Rogers*, 4 Dees. 175; *Adams's Doct. of Eq.* 226.

<sup>2</sup> *Daniel's Chan. Prac.* 670; *Irvine v. Young*, 1 Sim. & Stu. 333; *Willis v. Jernegan*, 2 Atk. 251; *Sherman v. Sherman*, 2 Vern. 276; *Tickel v. Short*, 2 Ves. Sr. 239; *Thompson v. Fisher*, 13 Pa. 313; *Porter v. Patterson*, 15 Id. 229; *Beers v. Reynolds*, 12 Barb. 288; *Dows v. Durfee*, 10 Id. 213; *Coopwood v. Bolton*, 26 Miss. 212; *Brown v. Vandyke*, 8 N. J. Eq. 795; *Ogden v. Astor*, 4 Sand. (S. C.) 311; *Lupton v. Janey*, 13 Pet. 381; *Tuggle v. Minor*, 76 Cal. 96.

<sup>3</sup> See *Williams v. Savage Mfg. Co.*, 1 Md. Ch. 306; *Rhyne v. Love*, 98 N. C. 486.

<sup>4</sup> *Conville v. Shook*, 144 N. Y. 686.

<sup>5</sup> See *Bankhead v. Alloway*, 6 Cold. 56.

<sup>6</sup> *Slee v. Bloom*, 5 Johns. Ch. 366; 20 Johns. 669; *Barrow v. Rhineland*, 1 Johns. Ch. 550; *Johnson's Ex'rs v. Ketchum*, 4 N. J. Eq. 364; *Botifeur v. Weyman*, 1 McCord Ch. 156; *Lee's Adm'rs v. Reed*, 4 Dana, 109; *Roberts v. Totten*, 8 Eng. 609.

<sup>7</sup> *Pit v. Cholmondeley*, 2 Ves. Sr. 445.

or particular errors. If, however, the bill in the first instance points out particular errors, these must be denied by averments in the plea, as well as by answer in support of the plea.<sup>1</sup>

In this country the account can only be opened in the items specifically pointed out;<sup>2</sup> but in England the doctrine has been pushed to the extent of holding that where an account has been surcharged and falsified in one or more items, the complainants can then go on and surcharge and falsify it at large.

A bill to impeach an account must be filed in a reasonable time.<sup>3</sup>

#### 487. Partition; origin of jurisdiction of chancery.

The jurisdiction of Courts of Chancery in cases of Partition of Land owes its origin to the inadequacy of the remedies which the common law afforded to joint owners who were desirous of severing the joint ownership. This jurisdiction was assumed some time about the reign of Elizabeth;<sup>4</sup> and became so well established both in England and in the United States, that to invoke this equitable remedy has become a matter of right and not of mere grace.<sup>5</sup>

<sup>1</sup> Daniel's Chan. Prac. 374, 691.

<sup>2</sup> See *Chappedelaine v. Deche-naux*, 4 Cranch, 306; *Consequa v. Fanning*, 3 Johns. Ch. 587; *Nourse v. Prime*, 7 Id. 69; *Phillips v. Bel-den*, 2 Edw. Ch. 1; *Troup v. Haight*, Hopk. Ch. 539; *Bullock v. Boyd*, 1 Hoff. Ch. 294; *Redman v. Green*, 3 Ired. Eq. 54; *Gover v. Hall*, 3 Har. & J. 43; *Lilly v. Kroesen*, 3 Md. Ch. 83; *Williams v. The Savage Mfg. Co.*, 1 Id. 306; *Freeland v. Cocke*, 3 Manf. 352; *Compton v. Greer*, 2 Dev. Eq. 93.

<sup>3</sup> *Lupton v. Janey*, 13 Pet. 381; *Baker v. Biddle*, Baldwin, 418; *Ellison v. Moffatt*, 1 Johns. Ch. 46; *Mooers v. White*, 6 Id. 360, 370; *Dexter v. Arnold*, 2 Sumn. 108; *Bolling v. Bolling*, 5 Munf. 334; *Randolph v. Randolph*, 2 Call, 537; *Gregory's Ex'rs v. Forrester*, 1 McCord Ch. 318; *Ex'rs of Radcliffe v. Wightman*, Id. 408; *Hutchins v. Hope*, 7 Gill, 119;

*Chesson v. Chesson*, 8 Ired. Eq. 141. See, also, *Botifeur v. Weyman*, 1 McCord Ch. 156; *Ogden v. Astor*, 4 Sandf. (S. C.) 311; *Richardson v. Gregory*, 126 Ill. 166.

<sup>4</sup> 1 Spence's Eq. 654.

<sup>5</sup> See *Baring v. Nash*, 1 V. & B. 552; *Parker v. Gerard*, Amb. 236; *Wood v. Little*, 35 Me. 107; *Hanson v. Willard*, 12 Id. 142; *Bailey v. Sisson*, 1 R. I. 233; *Wiseley v. Findlay*, 3 Rand. 361; *Castleman v. Veitch*, Id. 598; *Otley v. McAlpine's Heirs*, 2 Gratt. 340; *Allen v. Barkley*, 1 Speer Eq. 264; *Oldhams v. Jones*, 5 B. Mon. 458; *Holmes v. Holmes*, 2 Jon. Eq. 334; *Wright v. Marsh*, 2 Greene (Iowa), 94; *Howey v. Goings*, 13 Ill. 95; *Donnell v. Mateer*, 7 Ired. Eq. 94. But in Georgia prior to the "Uniform Procedure" Act of 1887 it would seem that a bill for partition in equity was entertained only when some peculiar circumstances existed

It is well known that at common law the writ of partition existed only where the joint ownership arose by operation of the law; and was therefore confined to the single case of tenancy in co-parcenary. As the law created that tenancy, it was thought reasonable that the law should also furnish the means for its severance. By Statutes of 31 Henry VIII., c. 1, and 32 Id., c. 32, the remedy was extended to the cases of joint tenants and tenants in common. The partition of copyhold lands was effected by a plaint in the Lord's Court in the nature of a writ of partition.<sup>1</sup>

#### **488. Disadvantages of proceeding at common law; changes by statute in the United States.**

The principal disadvantages of the common-law action were two. In the first place, only the parties in possession could be bound by the judgment, and consequently estates in remainder or contingency were not and could not be affected thereby. In the second place, as the judgment was for a division according to the titles proved, it was incumbent upon the complainant to prove the defendants' titles as well as his own, which was usually difficult, and sometimes impossible, to do. Moreover, the judgment of a common-law court could not be conveniently moulded to meet the exigencies of each particular case.

In consequence of these disadvantages, and of the superiority of the equitable remedy, the writ of partition and the plaint were abolished in England by statute.<sup>2</sup>

In nearly all of the United States the partition of real property is the subject of express statutory enactments. In some states the remedy is by petition, the common-law writ, in many of them, existing concurrently.<sup>3</sup> In others, the common-law action has been freed from its disadvantages, and rendered more effective and available.<sup>4</sup> Partition of decedents' estates is also effected in some states by probate courts and similar tribunals. In many of the states, however, the remedy by bill in equity also prevails, and from its many advantages must continue to be a favorite method of effecting a division of real property between joint-owners.

which rendered the common-law remedy inadequate. *Boggs v. Chambers*, 9 Ga. 1; *Rutherford v. Jones*, 14 Id. 521.

<sup>1</sup> *Adams's Doct. Eq.* 229, 230. The right to partition may be parted

with. *Coleman v. Coleman*, 19 Pa. 100; *Latahaw's Appeal*, 122 Id. 142.

<sup>2</sup> 3 and 4 Will. IV., c. 27, § 36.

<sup>3</sup> See 1 Wash. on Real Prop. 433.

<sup>4</sup> See *Smith v. Smith*, 10 Paige Ch. 470.



#### 489. Advantages of mode of procedure in equity.

For in equity the disadvantages which were attendant upon the common-law action do not exist.<sup>1</sup> Persons who have limited estates may become parties to a bill for partition, and the estates of such parties only may be divided; or, if it is deemed desirable, the parties in remainder or reversion may be brought in, and the decree will then be binding upon them, and the whole estate may be divided.<sup>2</sup> Interests of infants or persons not *in esse* may also be bound.<sup>3</sup>

In proceedings for partition in equity it is not necessary that the complainant should set forth the defendant's title. Indeed, discovery as to this title is frequently a part of the relief which the complainant desires, and to which he is entitled, and, if necessary, the reference to the master will direct that the defendant's title be ascertained.<sup>4</sup> The complainant, however, must show his own title; otherwise the bill will be dismissed.<sup>5</sup> And he must show that the connection between his title and that of the defendant is such as to entitle him to a partition as

<sup>1</sup> The advantages of an equitable partition are summed up by Chancellor Zabriskie in *Hall v. Piddock*, 21 N. J. Eq. 314, in the following language: "The peculiarities of an equitable partition are, that such part of the land as may be more advantageous to any party on account of its proximity to his other land, or for any other reason, will be directed to be set off to him if it can be done without injury to the others; that when the lands are in several parcels, each joint owner is not entitled to a share of each parcel, but only to his equal share in the whole; that where a partition exactly equal cannot be made without injury, a gross sum or yearly rent may be directed to be paid for owelty or equality of partition by one whose share is too large to others whose shares are too small; and that when one joint-owner has put improvements on the property, he shall receive compensation for his improvements, either by having the part on which the im-

provements are, assigned to him at the value of the land without the improvements, or by compensation directed to be made for them." In this case an injunction was granted in a bill for partition in equity to restrain similar proceedings at law, which had been previously instituted, solely on the ground of the superiority of the equitable over the common-law method as a means of effecting a just division among the parties. See, also, *Donnell v. Mateer*, 7 Ired. Eq. 94; *Fulton v. Miller*, 192 Pa. 62, and *Carson v. Broady*, 56 Neb. 648.

<sup>2</sup> *Gaskell v. Gaskell*, 6 Sim. 643; *Holmes v. Fulton*, 193 Pa. 270; *Duke v. Hague*, 107 Pa. 67; notes to *Agar v. Fairfax*, 2 L. Cas. Eq. 468 (4th Eng. ed.).

<sup>3</sup> *Wills v. Slade*, 6 Ves. 496; *Gaskell v. Gaskell*, 6 Sim. 643.

<sup>4</sup> *Joep v. Morshead*, 6 Beav. 213; *Agar v. Fairfax*, 17 Ves. 533.

<sup>5</sup> *Parker v. Gerard*, Amb. 236; *Joep v. Morshead*, 6 Beav. 213.

against the latter.<sup>1</sup> A bill for a partition cannot be made the means of trying a disputed title;<sup>2</sup> although it seems that a question as to title may be decided by the court with consent of the parties.<sup>3</sup> Unless the title is undisputed, the bill must be dismissed, or else retained until the title has been settled at law.<sup>4</sup> But this rule applies only to disputes as to legal titles; and where the dispute involves an equitable element, the court has jurisdiction over the whole matter.<sup>5</sup>

Partition may be had of an equitable estate;<sup>6</sup> or of an incorporeal hereditament;<sup>7</sup> and the surface can be separated from the underlying minerals, and a distinct title made to each.<sup>8</sup>

All persons entitled to, or claiming an interest in, the land, whether legal or equitable, are proper parties to a bill for partition. It is only, however, by a person entitled to possession that a bill for partition can be filed; although, as was stated above, the owners of expectant estates may be made parties, and their

<sup>1</sup> *Ramsay v. Bell*, 3 Ired. Eq. 209.

<sup>2</sup> *Slade v. Barlow*, L. R. 7 Eq. 296; *Bolton v. Bolton*, Id. 298, n.; *Potter v. Waller*, 3 De G. & Sm. 410; *Giffard v. Williams*, L. R. 5 Ch. 546; *Sanders v. Devereux*, 19 U. S. App. 630; *Hitchcox v. Morrison*, 47 W. Va. 206; *Clark v. Roller*, 199 U. S. 541.

<sup>3</sup> *Burt v. Hellyar*, L. R. 14 Eq. 160.

<sup>4</sup> *Castleman v. Veitch*, 3 Rand. 598; *Straughan v. Wright*, 4 Id. 493; *Smith v. Smith*, 10 Paige Ch. 470; *Steedman v. Weeks*, 2 Strob. Eq. 145; *Albergottie v. Chaplin*, 10 Rich. Eq. 428; *Pell v. Ball*, 1 Id. 361; *Collins v. Dickinson*; 1 Hay, 240; *Davis v. Davis*, 2 Ired. Eq. 607; *Garrett v. White*, 3 Id. 131; *Wilkin v. Wilkin*, 1 Johns. Ch. 111; *Manners v. Manners*, 2 N. J. Eq. 384; *Bruton v. Rutland*, 3 Humph. 435; *Foust v. Moorman*, 2 Carter, 17; *Boone v. Boone*, 3 Md. Ch. 497; *Corbitt v. Corbitt*, 1 Jon. Eq. 114; *Walker v. Laffin*, 26 Ill. 472; *Williams v. Wigand*, 53 Id. 233; *Gourley v. Woodbury*, 43 Vt. 89; *Hassam v. Day*, 39 Miss. 392; *Dewit v. Ackerman*, 17

N. J. Eq. 215; but see *Cuyler v. Ferrill*, 1 Abb. (U. S.) 169; *Morenhout v. Higuera*, 32 Cal. 289; *Bollo v. Navarro*, 33 Id. 459; *Adams's Doct. Eq.* 458, note (6th Am. ed.); *Seymour v. Ricketts*, 21 Neb. 240; *Pierce v. Rollins*, 83 Me. 172; *Eagle v. Franklin*, 71 Ark. 544; *Ellis v. Feist*, 65 N. J. Eq. 548.

<sup>5</sup> *Donnell v. Mateer*, 7 Ired. Eq. 94; *Foust v. Moorman*, 2 Carter, 17; *Carter v. Taylor*, 3 Head, 30; *Leverton v. Waters*, 7 Cold. 20; *Longwell v. Bentley*, 23 Pa. 99; *Hayes's Appeal*, 123 Id. 110; *Obert v. Obert*, 10 N. J. Eq. 98; *Vreeland v. Vreeland*, 49 N. J. Eq. 322; *Hankins v. Layne*, 48 Ark. 544; *Morgan v. Mueller*, 107 Wis. 241.

<sup>6</sup> *Hitchcock v. Skinner*, 1 Hoff. Ch. 21; *Mylin v. King*, 139 Ala. 319; *Hanna v. Clark*, 189 Pa. 334.

<sup>7</sup> *Bailey v. Sisson*, 1 R. I. 233; *Warren v. Westbrook Mfg. Co.*, 88 Me. 58. See *Ellis v. Hill*, 162 Ill. 557.

<sup>8</sup> *Ames v. Ames*, 160 Ill. 599. But see *Hall v. Vernon*, 47 W. Va. 295.

interests will be bound. Therefore, a bill cannot be maintained by a joint tenant, or tenant in common, in remainder or reversion. Nor can he, after he has filed his bill, put himself in a better position, by acquiring a title in possession and amending his bill.<sup>1</sup>

The owners of an estate subject to a mortgage may have partition in equity; in which case the equity of redemption only is divided.<sup>2</sup>

Judgment-creditors and mortgagees of tenants in common are not proper parties to a bill for partition;<sup>3</sup> although it has been decided in England that a mortgagee of an undivided share *may* maintain a bill for foreclosure and partition.<sup>4</sup> Where the defendants are desirous that there shall be no partition of their several shares, the partition may be confined to the aliquot share of the complainant.<sup>5</sup>

#### 490. Mode of making partition in equity.

The method of making a partition in equity is by first ascertaining the rights of the several persons interested, and then issuing a commission to make the partition required. If the proportions to which the different parties are entitled appear upon the pleadings, no reference to a master to ascertain them is necessary; otherwise, such a reference will be ordered.<sup>6</sup> The interlocutory decree directing such inquiries generally goes on to order a partition to take place.<sup>7</sup> After the return of the commission, and the confirmation thereof by the court, the partition is finally completed by mutual conveyances of the allotments made to the several parties.<sup>8</sup> Sometimes, instead of ordering a commission, the court may make a declaration that the estate ought to be divided, with liberty to the parties interested therein to bring before the judge at chambers proposals for a partition.<sup>9</sup>

In England the court, in some cases, instead of directing con-

<sup>1</sup> *Evans v. Bagshaw*, L. R. 8 Eq. 469; L. R. 5 Ch. 340.

<sup>2</sup> *Wotton v. Copeland*, 7 Johns. Ch. 140.

<sup>3</sup> *Sebring v. Mersereau*, 9 Cow. 344; *Harwood v. Kirby*, 1 Paige Ch. 469; *Low v. Holmes*, 17 N. J. Eq. 148; *Speer v. Speer*, 14 Id. 240; *Thruston v. Minke*, 32 Md. 571; *Long's Appeal*, 77 Pa. 151. Though a mortgagee may be joined when it is nec-

essary for the protection of his interests. *Whitton v. Whitton*, 38 N. H. 135.

<sup>4</sup> *Fall v. Elkins*, 9 Week. Rep. 861. See *Watkins v. Williams*, 3 MacN. & G. 622.

<sup>5</sup> *Hobson v. Sherwood*, 4 Beav. 184.

<sup>6</sup> *Daniel's Ch. Prac.* 1121.

<sup>7</sup> *Id.* 1123.

<sup>8</sup> *Id.* 1122.

<sup>9</sup> *Clarke v. Clayton*, 2 Giff. 333.

veyances of the several shares, has declared each of the parties trustees as to the shares allotted to the others of them, and then vested the whole trust estate in a single new trustee, under the Trustee Act, with directions to convey to the several parties their allotted shares.<sup>1</sup> Under the same act, an infant may be declared trustee of such portions of the property as were allotted to the other parties. Before that act, where the legal estate to a portion was vested in an infant, the conveyances were respited until he came of age, and a day given to him to show cause against the decree.<sup>2</sup> In some of the United States the decree has, either by statute or by judicial decision, the effect of vesting the titles of the different purparts in the persons respectively entitled thereto, without the necessity of a conveyance.<sup>3</sup>

#### 491. Difficulties of making partition no objection to a decree.

The inconvenience or difficulty of making the partition is no objection to a decree. Thus, a single house may be ordered to be divided; and in one case, at least, this division is said to have been actually effected by building up a wall in the middle of the house.<sup>4</sup> It need scarcely be said, however, that the court will, as a general rule, make such a partition as will best preserve the value of the property; and that such an extreme measure as the actual division of a house would not be resorted to, if a fair partition could be made in any other way.<sup>5</sup> Thus, if there were three houses to be divided among three, it would not be right to divide every house, for that would be to spoil every house; but some recompense is to be made, either by sum of money or rent, for owelty of partition, to those who have the houses of less value.<sup>6</sup> Moreover, in dividing real estate the convenience of the different parties in interest should be consulted. Thus, if one of the parties has property to which one of the allotments is contiguous, and there is another allotment not contiguous, that would be a good ground, *cæteris paribus*, for allotting that particular portion

<sup>1</sup> *Shepherd v. Churchill*, 25 Beav. 21.

<sup>2</sup> *House v. Falconer*, 4 Dess. 86; notes to *Agar v. Fairfax*, 2 Lead. Cas. Eq. 474 (4th Eng. ed.).

<sup>3</sup> See *Griffith v. Phillips*, 3 Gr. Cas. 381.

<sup>4</sup> *Turner v. Morgan*, 8 Ves. 143;

notes to *Agar v. Fairfax*, 2 Lead. Cas. Eq. 470 (4th Eng. ed.). See, also, *Wood v. Little*, 35 Me. 107; *Seoville v. Kennedy*, 14 Conn. 339; *Smith v. Smith*, 10 Paige Ch. 470.

<sup>5</sup> *Daniel's Chan. Prac.* 1130.

<sup>6</sup> See *Earl of Clarendon v. Hornby*, 1 P. Wms. 446.

to the individual to whom it is much more convenient to have it than the other.<sup>1</sup> A mill or an advowson may be divided by giving to the parties every alternate toll-dish or turn of the church, as is done in the common-law writ.<sup>2</sup>

#### 492. Power to award owelty.

Courts of equity have power to award owelty in partition, which is a sum of money or a rent given for the purpose of equalizing the shares.<sup>3</sup> For the same purpose one purpart may be charged with a servitude or easement for the benefit of another.<sup>4</sup> This owelty could not have been granted in the common-law writ, although statutes in some states now authorize it in such actions. Besides awarding owelty, a Court of Chancery may order an account where one joint owner appears to have received more than his share of the rents and profits;<sup>5</sup> and, in proper cases, may decree an allowance for money expended in improvements.<sup>6</sup>

#### 493. Power to order a sale.

One disadvantage under which proceedings for partition in equity labored, was the want of power in the court to order a sale of the property.<sup>7</sup> It is true that a sale might have been ordered if all the parties who were *sui juris* desired it; and this,

<sup>1</sup> Canning v. Canning, 2 Drew. 436; Hall v. Piddock, 21 N. J. Eq. 314; Claude v. Handy, 83 Md. 225.

<sup>2</sup> Dan. Ch. Prac. 1131.

<sup>3</sup> Smith v. Smith, 10 Paige Ch. 470; Phelps v. Green, 3 Johns. Ch. 302; Graydon v. Graydon, 1 McMul. Eq. 63; Haywood v. Judson, 4 Barb. (S. C.) 228; Norwood v. Norwood, 4 Har. & J. 112; Warfield v. Warfield, 5 Id. 459; Wynne v. Tunstall, 1 Dev. Eq. 23; Cox v. McMullin, 14 Gratt. 82.

<sup>4</sup> Cheswell v. Chapman, 38 N. H. 17.

<sup>5</sup> Rosier v. Griffith, 31 Mo. 171; Leach v. Beattie, 33 Vt. 195; Early v. Friend, 16 Gratt. 21; Hitchcock v. Skinner, 1 Hoff. Ch. 21; Backler v. Farrow, 2 Hill Ch. 111; Carter v. Carter, 5 Munf. 108; Holt v. Couch, 125 N. C. 456.

<sup>6</sup> Swan v. Swan, 8 Price, 518; Town v. Needham, 3 Paige Ch. 553; St.

Felix v. Rankin, 3 Edw. Ch. 323; Conklin v. Conklin, 3 Sandf. Ch. 64; Green v. Putnam, 1 Barb. (S. C.) 500; Brookfield v. Williams, 2 N. J. Eq. 341; Obert v. Obert, 5 Id. 397; Doughady v. Crowell, 11 Id. 201; Hall v. Piddock, 21 Id. 314; Respass v. Breckenridge, 2 A. K. Marsh. 581; Louvalle v. Menard, 1 Gilm. 39; Sneed v. Atherton, 6 Dana, 276; Borah v. Archers, 7 Id. 176; Noble v. Tipton, 219 Ill. 182; Donnor v. Quartermas, 90 Ala. 164; Fulton v. Miller, 192 Pa. 62; Dunavant v. Fields, 68 Ark. 534; Carson v. Broady, 56 Neb. 648.

<sup>7</sup> It may be remarked in this connection that it has been held in England that the court has no jurisdiction to decree a sale of personal chattels, held in strict settlement, simply on the ground that it would

of the heir to make the assignment of dower. No writing for this purpose was necessary; a parol assignment, if accepted by the widow, was good.

#### 495. Remedy by bill in equity.

In case the heir neglected or refused to assign the dower, the widow had her remedy at common law, by the writ of right of dower, and by the writ of dower *unde nihil habet*; <sup>1</sup> but in addition to these, the remedy by bill in equity was invoked at a very early period. The first exercise of this jurisdiction of the chancellor to assign dower appears to have occurred in the reign of Elizabeth; but for many years the reported cases were not numerous, and there seems to have been much doubt as to the grounds upon which this jurisdiction was assumed.<sup>2</sup> The relief was at one time considered to be of an auxiliary character. Thus, as the title papers of an estate were in the hands of the heir, it was frequently necessary for the widow to have access to them, or, at all events, to be informed of their contents, in order to a full knowledge of her rights. This end was accomplished by a bill of discovery, which was entertained for the purpose of enabling the widow subsequently to assert her right at law. Bills were also entertained for the purpose of removing impediments in the way of the wife's legal action; and the jurisdiction thus acquired was, upon the familiar principles of equity, extended to afford complete relief.<sup>3</sup> The jurisdiction, however, was not assumed without hesitation; and in two early cases the bills were dismissed because there was no impediment in the way of the complainant's proceedings at law.<sup>4</sup> The scruples against exercising this jurisdiction were, however, eventually overcome in consequence of the many excellent reasons which existed in its favor. These reasons were the disadvantages under which the common-law remedies labored, the fact that in some cases the right to dower was recognized solely in courts of equity, and the prevention of multiplicity of suits.

to remain in the mansion-house for forty days after her husband's death. This was called the widow's quarantine. Similar provisions in favor of the widow are found in the statute books of most of the states. See 4 Kent's Com. 62.

<sup>1</sup> The common-law action in a large

number of the United States answers most nearly to this writ. 4 Kent's Com. 70.

<sup>2</sup> 2 Scribner on Dower, 134.

<sup>3</sup> Id., 134.

<sup>4</sup> *Shute v. Shute*, Prec. Ch. 111; *Wallis v. Everard*, 3 Ch. Rep. 161; 2 Scribner on Dower, 135.

of all things which were necessary to ascertain the widow's right of dower and the extent thereof; and, moreover, if any difficulty or impediment existed in the way of the assertion of her legal right, the Court of Chancery might interpose to remove it.

#### 498. Account of *mesne* profits.

To what extent the Court of Chancery would give an account of the *mesne* profits, seems to be a disputed question in England. It has been contended, on the one hand, that in giving damages, courts of equity are not confined by the terms of the statute of Merton, but award the same independently of the provisions of that statute, and, consequently, in cases to which that statute does not extend.<sup>1</sup> On the other hand, it is said that the power of the chancellor is regulated by that statute, and that damages are not given as against the alienee of the husband.<sup>2</sup>

In America it has been stated by high authority that, in equity, the course is universally to give the widow an account of the rents and profits from the death of the husband;<sup>3</sup> and decisions to that effect have been made in several states.<sup>4</sup>

But in other states a different conclusion has been reached.<sup>5</sup>

Whatever the rule on this subject may be, the superior facilities which courts of equity have for ascertaining the rents and profits, and taking an account, must be considered as one of the reasons for their assumption of jurisdiction in cases of dower.

Moreover, there are some cases in which equity will undoubtedly give damages, although a court of law would not. At law, if the tenant died after judgment, and before damages were assessed, the widow lost her damages; and if the widow died before damages were assessed, her representatives could not claim them. But a court of equity will, in such cases, give relief.<sup>6</sup>

<sup>1</sup> *Curtis v. Curtis*, 2 Bro. C. C. 260; 1 Roper, Husb. and Wife, 453, 454.

<sup>2</sup> *Mundy v. Mundy*, 2 Ves. Jr. 122; 4 Bro. C. C. 294; 1 Roper, Husb. and Wife, 454, note; 2 Scribner on Dower, 685, 686.

<sup>3</sup> *Chase's Case*, 1 Bland Ch. 206. See, also, *Wells v. Beall*, 2 Gill & J. 468; *Darnall v. Hill*, 12 Id. 388.

<sup>4</sup> *Keith v. Trapier*, 1 Bailey Eq.

63; *Heyward v. Cuthbert*, 1 McCord, 386; *Turner v. Morris*, 27 Miss. 733.

<sup>5</sup> *Tod v. Baylor*, 4 Leigh, 498; *Kendall v. Honey*, 5 Mon. 282; *Golden v. Maupin*, 2 J. J. Marsh. 236. See 2 Scribner on Dower, 687, 692, where the authorities are examined.

<sup>6</sup> *Story's Eq. Jurisp.* § 625. See for a case in which the relief directed to be given consisted, in part, of an assignment of dower in a portion of

equitable estates.<sup>1</sup> The consequence is, that as these estates are recognized only in Courts of Chancery, it is in such courts only that the right of dower in these estates can be enforced, and the jurisdiction of Courts of Chancery is, in such cases, exclusive.<sup>2</sup>

Prior to the statute of William IV., above cited, equities of redemption fell under the same rule as ordinary equitable estates, so far as the right of dower was concerned.<sup>3</sup> In this country, however, the mortgagor is generally, perhaps universally, regarded as invested with the legal fee, and dower may be claimed by his widow, both by action at law and by bill in equity, as against all persons except the mortgagee and those claiming under him. As against them, her only remedy is by bill in equity.<sup>4</sup>

Other cases also may arise in which the right to dower is controlled by equitable considerations. Thus, in equity, lands used for partnership purposes are considered as personalty, and the widow's claim for dower must be postponed until the affairs of the firm are settled. The consequence is that, if the settlement is improperly delayed, the widow may file a bill for the adjustment of the business of the concern, and the assignment of her dower.<sup>5</sup> So, also, the widow of a purchaser of real estate, on which the purchase-money has been but partially paid, may file a bill to compel her husband's representatives to complete the purchase, and even to sell the land for that purpose, and allow her a proportionate part of the surplus as her dower.<sup>6</sup>

So, also, where estates out of which widows are entitled to dower are sold by order of court, or are so sold as to give courts of equity jurisdiction over the money, these courts will entertain jurisdiction of the widow's claim for dower out of the fund.<sup>7</sup>

<sup>1</sup> In Massachusetts a wife has no dower in real estate in which her husband's title was merely equitable and of which he never had the legal seisin at any time during the coverture. *Seaman v. Harmon*, 192 Mass. 5.

<sup>2</sup> *McMahan v. Kimball*, 3 Blackf. 1; 2 *Scribner on Dower*, 151.

<sup>3</sup> *Harris v. Powers*, 129 Ga. 78.

<sup>4</sup> See *Gibson v. Crehore*, 3 Pick. 475; 1 *Wash. on Real Prop.* 246; *Farwell v. Cotting*, 8 Allen, 211; *Strong v. Converse*, Id. 557; *Chiswell*

*v. Morris*, 14 N. J. Eq. 101; *Eldridge v. Eldridge*, Id. 195; 2 *Scribner on Dower*, 151.

<sup>5</sup> *Goodburn v. Stevens*, 1 Md. Ch. Dec. 420; 5 Gill, 1.

<sup>6</sup> *Thompson v. Cochran*, 7 Humph. 72; *Daniel v. Leitch*, 13 Gratt. 195.

<sup>7</sup> *Sabele v. Sabele*, 1 Johns. Ch. 45; 1 *Washburn on Real Prop.* 245. But a widow cannot file a bill in the nature of a creditor's bill against the heirs for a sale of the land. *Hull v. Hull*, 26 W. Va. 1.



### 501. General conclusions as to equitable jurisdiction.

From the above sketch of the grounds upon which the jurisdiction of courts of equity in bills for dower is founded, the general conclusion may be reached that these courts have concurrent jurisdiction with courts of law in all cases, and that no special difficulty in the way of enforcing the right at common law need exist, in order to invoke the jurisdiction of the chancellor.<sup>1</sup> The point appears to have arisen in *Mundy v. Mundy*,<sup>2</sup> where a demurrer to a bill for dower was overruled, although the bill contained no allegation that there was any impediment to the complainant's remedy in an action at law. But while the jurisdiction of courts of equity to assign dower is undoubted, yet it may be laid down as a universal rule, that in cases where the *right* of the widow to dower is controverted, that question must be tried by a jury; and the chancellor will either direct an issue to be framed, or order the bill to be retained until the right shall have been tried at law.<sup>3</sup> The practice in this country is said to be to retain the bill for a reasonable time until the right at law is established.<sup>4</sup> Equity, however, will aid the widow by discovery for the purpose of establishing her right at law.<sup>5</sup>

Ordinarily, in bills of assignment of dower, the defendant is confined to strictly legal matters of defence, as the claim is treated as a *legal* claim; and in several decisions in the United States it has been held (contrary to the English doctrine),<sup>6</sup> that the plea of a *bona fide* purchase for value is no defence, even in a court of equity, against a legal claim for dower.<sup>7</sup> But in several instances, equitable matters of defence have been allowed

<sup>1</sup> See note to *Agar v. Fairfax*, 2 Lead. Cas. Eq. 482 (4th Eng. ed.).

<sup>2</sup> 2 Ves. Jr. 122.

<sup>3</sup> *Mundy v. Mundy*, 2 Ves. Jr. 122; *D'Arcy v. Blake*, 2 Sch. & Lef. 390; *Daniels's Ch. Prac.* 1139.

<sup>4</sup> *Badgley v. Bruce*, 4 Paige Ch. 98; *Swaine v. Perine*, 5 Johns. Ch. 482; *Hartshorne v. Hartshorne*, 2 N. J. Eq. 349; *Rockwell v. Morgan*, 13 Id. 384; *Wells v. Beall*, 2 Gill & J. 468; *Sellman v. Bowen*, 8 Id. 50; 2 *Scribner on Dower*, 149.

<sup>5</sup> *Curtis v. Curtis*, 2 Bro. C. C. 620; *D'Arcy v. Blake*, 2 Sch. & Lef. 387.

<sup>6</sup> In *Gomm v. Parrott*, 3 C. B.

(N. S.) 47, it was decided flatly that a demandant in dower is not entitled to inspection of the deed under which the property, out of which she claims to be endowed, was conveyed away by her husband, as against a *bona fide* purchaser for value without notice of the marriage.

<sup>7</sup> *Snelgrove v. Snelgrove*, 4 Dess. 288; *Larrowe v. Beam*, 10 Ohio, 498; *Campbell v. Murphy*, 2 Jon. Eq. 357; *Ridgeway v. Newbold*, 1 Harr. (Del.) 385; *Dick v. Doughton*, 1 Del. Ch. 320; *Gano v. Gilruth*, 4 G. Greene (Iowa), 453; 2 *Scribner on Dower*, 157.

to be set up;<sup>1</sup> and it may be possible that the influence of the modern English authorities, upon the effect of pleading a purchase, will induce the courts to adopt a different position from that taken in *Snelgrove v. Snelgrove* and the kindred cases cited above.<sup>2</sup>

Where no equitable rights are involved Courts of Chancery, in assigning dower, will apply the same principles as would be applied by a court of law.<sup>3</sup>

### 502. Manner of assigning dower.

The right to dower having been admitted or established, its assignment is effected by means of a reference to a master and a commission, and the share is set out by metes and bounds, and possession ordered to be delivered. When necessary, also, an account will be taken.

If, for any cause, the land out of which the dower is claimed has been turned into money, the widow will be entitled to dower out of the fund. The practice in such cases is not uniform throughout the Union. In some states a gross sum is awarded, in others an annual interest is secured to the complainant.<sup>4</sup>

In addition to the remedies by the common-law writs, and by bill in equity, there are, in many states, summary proceedings in probate courts and courts of similar jurisdiction, for the assignment of dower out of the estates of decedents. Proceedings of this nature are necessarily more limited in their scope than the other remedies. They are the subject of express legislation in most of the states.

<sup>1</sup> See *Ralls v. Hughes*, 1 Dana, 407; *Bullock v. Griffin*, 1 Strob. Eq. 60; *Steiger v. Hillen*, 5 Gill & J. 121; 2 Scribner on Dower, 157, 158.

<sup>2</sup> See *Flagg v. Mann*, 2 Sumn. 486. It will be remembered that in the chapter upon Notice (*ante*, § 264) it was stated that the holder of an equitable title may avail himself of want of notice as a defence, and that he may do this even when the plaintiff is the holder of the legal title; but that to this rule there is one exception, viz., that where the bill is filed simply to enforce a legal right through an equitable remedy, a plea

of purchase for value will be overruled. *Snelgrove v. Snelgrove*, and the other American authorities cited in note 7, page 705, as also the English decisions of *Collins v. Archer*, 1 Russ. & My. 284, and *Williams v. Lamsbe*, 3 Bro. C. C. 264 (*ante*, § 264), may therefore be reconciled with the general doctrine of pleading a purchase upon the principle thus stated. See *Phillips v. Phillips*, 1 De G., F. & J. 208; *Finch v. Shaw*, 19 Beav. 500; *Wallwyn v. Lee*, 9 Ves. 24; *Pilcher v. Rawlins*, L. R. 7 Ch. 269; *ante*, § 264.

<sup>3</sup> *Drost v. Hall*, 52 N. J. Eq. 68.

<sup>4</sup> See 2 Scribner on Dower, 190.

of suits, the jurisdiction was sustained.<sup>1</sup> But a mere confusion of boundaries, without more, will not be enough to sustain a bill.<sup>2</sup> And the circumstance that the plaintiff has only an equitable title, and that the legal title is outstanding in the hands of trustees, will not be enough to give jurisdiction.<sup>3</sup>

To sustain the bill the plaintiff must show that some portion of the land is in possession of the defendant;<sup>4</sup> and he must establish by admissions of the defendant or by evidence, a clear title to some land in the possession of the defendant.<sup>5</sup>

#### 504. In cases of rent.

In several cases in England relief has been afforded to the owner of a rent, upon principles analogous to those which are applied in cases of confusion of boundaries. The owner of the rent is entitled to relief in equity (as it is said), "on usage of payment," where, in consequence of the confusion of boundaries or otherwise, the particular lands upon which the rent is a charge cannot be fixed on as a fund for the legal remedy by distress.<sup>6</sup> A very few cases, in which relief was given in equity in matters of rent, exist in the United States; but the instances of the exercise of this jurisdiction are very rare.<sup>7</sup>

<sup>1</sup> *De Veney v. Gallagher*, 20 N. J. Eq. 33; *Bute (Marquis) v. Glamorganshire Canal Co.*, 1 Phillips, 681; *Bouverie v. Prentice*, 1 Bro. C. C. 200; *Mayor of York v. Pilkington*, 1 Atk. 282.

<sup>2</sup> See *Norris's Appeal*, 64 Pa. 275; *Tillmes v. Marsh*, 67 Id. 507; *Haskell v. Allen*, 23 Me. 448; *Doggett v. Hart*, 5 Fla. 215, 232; *Wolcott v. Robbins*, 26 Conn. 236; *Dickerson v. Stoll*, 8 N. J. Eq. 294; *Topp v. Williams*, 7 Humph. 569; *Andries v. Detroit Ry. Co.*, 105 Mich. 557, 561; *Perry v. Lucas*, 11 Hawaii, 350. Where, however, jurisdiction has attached because of some other ground equity will settle boundaries, *Campbell v. Kent*, 111 Mich. 575; *Dolan v. Smith*, 147 Mich. 276.

<sup>3</sup> *Stuart's Heirs v. Coater*, 4 Rand. 74; *Doggett v. Hart*, 5 Fla. 215.

<sup>4</sup> *Att.-Gen. v. Stephens*, 6 De G.,

M. & G. 111, 149, overruling the Vice-Chancellor in 1 K. & J. 724.

<sup>5</sup> *Godfrey v. Littell*, 1 Russ. & My. 59; 2 Russ. & My. 630. It is not necessary that the title should be admitted by the defendant; it may be established by evidence. *Godfrey v. Littell (supra)*, overruling *Bishop of Ely v. Kenrick*, Bunb. 322.

<sup>6</sup> See *Duke of Leeds v. Powell*, 1 Ves. Sr. 171, 172; *North v. The Earl of Strafford*, 3 P. Wms. 148; *Bouverie v. Prentice*, 1 Bro. C. C. 200; *Duke of Leeds v. The Corporation of New Radnor*, 2 Id. 518; *Mayor of Basingstoke v. Lord Bolton*, 1 Drew. 289; note to *Wake v. Conyers*, 2 Lead. Cas. Eq. 445 (4th Eng. ed.). See, also, *Benson v. Baldwin*, 1 Atk. 598.

<sup>7</sup> *Dawson v. Williams*, 1 Freem. Ch. 99; *Lawrence v. Hammett*, 3 J. J. Marsh. 287. See *Livingston v. Liv-*

## CHAPTER V.

## PARTNERSHIP BILLS.

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| <p>505. Reasons for resorting to equity in partnership cases.</p> <p>506. Nature of the contract of partnership.</p> <p>507. Many equitable remedies applied to partnership cases.</p> <p>508. Peculiar remedy by Partnership Bills; bills for account need not pray a dissolution.</p> <p>509. Causes of dissolution; grounds for bills for dissolution.</p> <p>510. Preservation of partnership property.</p> <p>511. Doctrine of conversion as applied to partnership real estate; rule in England.</p> <p>512. Rule in the United States.</p> <p>513. Qualifications of the rule.</p> | <p>514. Sale and account.</p> <p>515. Winding-up partnerships; joint and separate debts.</p> <p>516. Separate assets of deceased partner applied in the first instance to payment of separate debts.</p> <p>517. Extension of this doctrine; English rule.</p> <p>518. Rule in <i>Tucker v. Ozley</i>.</p> <p>519. Bankruptcy Act of 1898.</p> <p>520. Method in which joint creditors may collect their debts.</p> <p>521. Remedies of separate creditors.</p> <p>522. Joint and separate executions.</p> <p>523. Suits between firms having a common member.</p> <p>524. Mines.</p> |
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**505. Reason for resorting to equity in partnership cases.**

WHEN the relations which exist between partners come to be dealt with by judicial tribunals, it is sometimes found necessary, in order to do justice between the parties, that an account should be taken, that a dissolution should be decreed, that assets should be called in and protected, that a sale of partnership property should be ordered, and that an equitable distribution of the proceeds should be made.

It is evident that none of these desired ends can be fully attained by common-law process, and some of them cannot be attained at all. An action of account may, it is true, be brought; but the disadvantages of that action, and the superiority of the equitable procedure, have been already pointed out. Breaches of distinct stipulations in the agreement of partnership may also be the subjects of the common-law actions of covenant or assumpsit, according as the partnership agreement is under seal

or in parol; and actions have, moreover, been brought to recover damages for a wrongful dissolution, or for refusing to enter into a stipulated partnership.<sup>1</sup> But no common-law writ exists by which a partnership can be dissolved, its assets protected pending litigation between the partners, or a sale of the partner property ordered; nor do the common-law rules as to debtor and creditor furnish a system for the proper distribution of the partnership effects. Hence there has arisen a necessity for an equitable remedy based upon the inability of the common-law courts to answer the requirements of justice. Bills for applying this equitable remedy are termed Partnership Bills; and are, generally, designed to effect a dissolution of the partnership, the protection of its property, an account, and a distribution of its assets.

#### 506. Nature of the contract of partnership.

This inability of the common-law forms of action to deal with many of the consequences of the contract of partnership grows out of the nature of the contract itself—one of the results of which contract is to constitute each partner an agent of the firm.<sup>2</sup> Hence arises the capacity of each partner to contract partnership debts, and to acquire and deal with partnership assets, and to enjoy his due proportion of the profits of the concern.

A dissolution of the partnership is a rescission of the contract, and *this* a court of law cannot compel; and the faithful performance of this contract necessitates a rendering of accounts, and a guardianship and distribution of property, which a court of law cannot adequately enforce.<sup>3</sup>

#### 507. Many equitable remedies applied to partnership cases.

It must be remembered that the relations of partners with each other, and with third parties, may give rise to many reasons for the interference of a chancellor, which do not call for the exer-

<sup>1</sup> *Addams v. Tutton*, 39 Pa. 447; *McNeill v. Reid*, 9 Bing. 68; *Vance v. Blair*, 18 Ohio, 532; *Parsons on Partnership*, 237. See, also, *Hale v. Wilson*, 112 Mass. 444, an action at law to recover money which the plaintiff had been fraudulently induced to contribute to a partnership capital.

<sup>2</sup> *Meehan v. Valentine*, 145 U. S. 611-620; *Cox v. Hickman*, 8 H. L.

*Cas.* 268; *Pooley v. Driver*, 5 Chan. Div. 458-477.

<sup>3</sup> Where one partner sells his interest in the partnership property to the other partner he cannot maintain a bill in equity for a settlement and accounting; the compensation agreed to be paid must be enforced at law. *Pace v. Smith*, 137 Ala. 511.

cise of the particular equitable remedy now under consideration. Thus a bill may, under certain circumstances, be filed to compel the execution of partnership articles,<sup>1</sup> or compliance with particular stipulations in the same;<sup>2</sup> but such a bill is one in which the peculiar remedy of specific performance is invoked; and would, therefore, fall under that general head of equitable jurisdiction. So, also, an *injunction* may be obtained to prevent a violation of partnership articles, or misappropriation of partnership funds,<sup>3</sup> or (in some cases) a wrongful dissolution of the firm;<sup>4</sup> while the equitable remedy of *discovery* may be, and frequently is, called into play for the purpose of enabling one partner to assert his rights against his copartner.<sup>5</sup>

#### 508. Peculiar remedy by partnership bills ; bills for account need not pray a dissolution.

But the basis of the equitable remedy now to be noticed is the necessity for the due winding up of a partnership; and this

<sup>1</sup> The better opinion now seems to be that if two persons have agreed to enter into partnership, and one of them refuses to abide by the agreement, the remedy for the other is, generally, an action for damages, and not a bill for specific performance. *Hyer v. Richmond Trac. Co.*, 168 U. S. 484; *Clark v. Truitt*, 183 Ill. 239; *Scott v. Rayment*, L. R. 7 Eq. 112; *Hercy v. Birch*, 9 Ves. 357; *Lindley on Partnership*, \*475 (5th ed.); *Parsons on Partnership*, 235; *Crawshay v. Maule*, 1 Swanst. 511, and notes. To compel an unwilling person (it has been said) to become a partner with another, would not be conducive to the welfare of the latter, any more than to compel a man to marry a woman he did not like would be for the benefit of the lady. *Lindley on Partnership*, *ut sup.* However, if the parties have agreed to execute some formal instrument, which would have the effect of altering their position at law, and of conferring rights which do not exist so long as the agreement is not carried out, in such a case, and for the pur-

pose of putting the parties into the legal position agreed upon, the execution of that formal instrument may be decreed, although the partnership thereby formed might be immediately dissolved. See *England v. Curling*, 8 Beav. 129; *Lindley on Partnership*, \*476.

<sup>2</sup> See *Whittaker v. Howe*, 3 Beav. 383; *Turner v. Major*, 3 Giff. 442; *Lingen v. Simpson*, 1 Sim. & Stu. 600; *Morris v. Kearsley*, 2 Y. & C. Exch. 139; *Essex v. Essex*, 20 Beav. 442; *Homfray v. Fothergill*, L. R. 1 Eq. 567; *Aubin v. Holt*, 2 K. & J. 66; *Lindley on Partnership*, \*478. See, also, *Downs v. Collins*, 6 Hare, 418; *Cooper v. Hood*, 7 Week. Rep. 83.

<sup>3</sup> See *ante*, § 426; *Lindley on Partnership*, \*543.

<sup>4</sup> See *Blissett v. Daniel*, 10 Hare, 493; *Lindley on Partnership*, \*571, \*575.

<sup>5</sup> *Lindley on Partnership*, \*501-502. Or to determine the existence of a partnership. *McReynolds v. McReynolds*, 74 Ia. 89.

equity alone, independently of any other considerations, will entitle a suitor to demand relief at the hand of a chancellor.<sup>1</sup>

A question which frequently arises upon the threshold of this subject is, whether a bill for an account which does not seek a dissolution of the partnership will be entertained. It is asserted by some text-writers that such a bill will not lie;<sup>2</sup> that is to say, that equity will not interfere to order an account which contemplates a continuance of the partnership. But the proposition cannot, perhaps, be so broadly stated.

In England, while the question may not be entirely settled, the current of modern authority is certainly in favor of relaxing the rule; and it may be laid down, as a general proposition, that courts of equity will not, if they can avoid it, allow a partner to derive advantage from his own misconduct, by compelling his copartner to submit either to a continued wrong or to a dissolution.<sup>3</sup> The rule will certainly not be applied to the case of joint-stock companies, or other associations of which the members are very numerous.<sup>4</sup>

In Pennsylvania and Georgia it has been decided that a bill for an account will be entertained, although it does not pray a dissolution.<sup>5</sup>

### 509. Causes of dissolution ; grounds for bills for dissolution.

Bills for the administration of partnership assets may either be filed after dissolution, or they may be filed for the purpose of obtaining a decree for a dissolution and subsequent administration.

It is well known that a partnership may be dissolved in many

<sup>1</sup> Lindley on Partnership, \*586 (5th ed.); *Tarabino v. Nicoli*, 5 Colo. App. 545. Equity has jurisdiction in cases of accounting and settlement between partners. This jurisdiction is not lost because discovery from the defendant is waived by the plaintiffs. *Huger v. Cunningham*, 126 Ga. 684.

<sup>2</sup> Adams's Doct. Eq. 241.

<sup>3</sup> *Fairthorne v. Weston*, 3 Hare, 392; Lindley on Partnership, \*495 (5th ed.). See *Walworth v. Holt*, 4 Myl. & Cr. 619.

<sup>4</sup> Adams's Doct. Eq. 241.

<sup>5</sup> *Hudson v. Barrett*, 1 Pars. Eq. 414; *Miller v. Freeman*, 111 Ga. 654; *Hogan v. Walsh*, 122 Ga. 283. See *Marble Co. v. Ripley*, 10 Wall. 339, and *Parsons on Partnership*, 300, note u. But see *Tutwiler v. Dugger*, 127 Ala. 191. A court of equity will not take cognizance of an action for an accounting as a mere incident to the settlement of a solitary matter in dispute between partners when it is not vital to either party or to the business and dissolution is not sought. *Lord v. Hull*, 178 N. Y. 9.

ways. Thus a dissolution may result either from the effluxion of time, or from mutual agreement, or from the death or bankruptcy of a partner,<sup>1</sup> or from a seizure and sale of a partner's share under an execution, or from a voluntary assignment by one partner of all his interest in the firm, or from the act of God, or the act of government (as from a war between the countries of the partners), or from some of the members becoming a body politic.<sup>2</sup> So, if no specific term for the duration of the partnership has been fixed, it may be dissolved at the option of any of the partners; and even where a partnership has been formed for a definite period, it has been held, in some cases, that it was within the power of any partner to dissolve it.<sup>3</sup> Where a partnership has been thus dissolved, the objects of the bill are that an account should be taken, and that the firm assets should be properly protected and duly distributed. But in many partnership suits the main object of the bill is a decree for a dissolution;<sup>4</sup> and such a decree can, of course, only be made upon proper cause. The general ground for a dissolution is that the partnership cannot be carried on for the benefit of the parties, according to the original intention; and this may result either from something independent of the conduct of the partners, *e. g.*, that the principles upon which the partnership is based are found to be erroneous and impracticable;<sup>5</sup> or from the conduct of a partner, as if he is acting fraudulently in assuming exclusive control of the business, or is

<sup>1</sup> *Helmore v. Smith*, 35 Ch. D. 436.

<sup>2</sup> In *Lindley on Partnership*, \*570, the grounds for a dissolution are stated to be the following: 1. The will of any partner; 2. The impossibility of going on in consequence of (a) the hopeless state of the partnership business, or (b) insanity, or (c) misconduct; 3. The transfer of a partner's interest; 4. The occurrence of some event which renders the partnership illegal; 5. Death; and 6. Bankruptcy. See, also, *Parsons on Partnership*, Chap. XII.

<sup>3</sup> *Skinner v. Dayton*, 19 Johns. 538; *Mason v. Connell*, 1 Whart. 381; and see *Bishop v. Breckles*, 1 Hoff. Ch. 543. But the law has been assumed to be the other way in several authorities. See *Peacock v. Peacock*,

16 Ves. 57; *Crawshaw v. Maule*, 1 Swanst. 508; *Wheeler v. Van Wart*, 9 Sim. 193; *Pearpoint v. Graham*, 4 Wash. C. C. 282; *Parsons on Partnership*, 404.

<sup>4</sup> In *Master v. Kirton*, 3 Ves. 74, the bill was demurred to on the ground that the partnership was a partnership at will, and could, therefore, be dissolved without a decree of the court. The demurrer was overruled.

<sup>5</sup> See *Baring v. Dix*, 1 Cox, 213. And a dissolution may be decreed where success is hopeless (*Willis v. Chapman*, 68 Vt. 459); or where the original capital has been all spent and some of the partners are unable or unwilling to advance more money, and at the same time the concern can-



guilty of breaches of faith, or other gross misconduct;<sup>1</sup> or from the incapacity of a partner, as, for example, his lunacy.<sup>2</sup>

But trifling faults, or quarrels between the parties, will not justify a decree for dissolution;<sup>3</sup> nor will such a decree be necessarily warranted by a breach of partnership articles.<sup>4</sup>

### 510. Preservation of partnership property.

If the partnership has become *ipso facto* dissolved for any of the reasons mentioned above, or if a decree for its dissolution has been made for cause, the next subject which occupies the attention of the court is the necessity for preserving the property of the firm, and for the immediate management of the concern while the process of winding-up is going on. If there is no objection, these duties may be left to the parties. The duty of liquidation is sometimes assigned to one partner by express agreement, and it sometimes devolves upon him by operation of law—as in the case of a surviving or solvent partner. But where all the partners are dead, or where the management of affairs cannot be safely intrusted to any of the parties, the court will interfere, and will appoint a receiver to take charge of the property and wind up the business.

It would be impossible to enter into a detailed statement of

not go on except at a loss unless they do. *Jennings v. Baddeley*, 3 K. & J. 78.

<sup>1</sup> See *Kennedy v. Kennedy*, 3 Dana, 239; *Williamson v. Wilson*, 1 Bland, 418; *Berry v. Cross*, 3 Sandf. Ch. 1; *Holden v. McMakin*, 1 Pars. Eq. Cas. 270; *Miller v. Jones*, 39 Ill. 54; *Maynard v. Railey*, 2 Nev. 313, 318; *Shulte v. Hoffman*, 18 Tex. 678; *Seibert v. Seibert*, 1 Brews. 531; *Page v. Vankirk*, Id. 287; *Childers v. Neely*, 47 W. Va. 70. And a partner may, in such cases, apply for a decree of dissolution, notwithstanding a stipulation in the partnership articles that no such application will be made. *Adams v. Shewalter*, 139 Ind. 178.

<sup>2</sup> *Anonymous*, 2 K. & J. 441; *Jones v. Lloyd*, L. R. 18 Eq. 265; *Bissell v. Peirce*, 184 Ill. 60. The better opinion now seems to be that lunacy of

one of the partners will not *ipso facto* be a dissolution, although, when of a confirmed character, it will warrant a decree for dissolution. *Jones v. Noy*, 2 Myl. & K. 125; *Rowlands v. Evans*, 30 Beav. 302; *Lindley on Partnership*, \*577 (5th ed.). In *Davis v. Lane*, 10 N. H. 161, and *Isler v. Baker*, 6 Humph. 85, however, the rule that lunacy did not operate, of itself, as a dissolution was disapproved. See *Parsons on Partnership*, 465.

<sup>3</sup> *Goodman v. Whitecomb*, 1 J. & W. 569; *Henn v. Walsh*, 2 Edw. Ch. 129; *Parsons on Partnership*, 458; *Lindley on Partnership*, \*580. See, also, *Bishop v. Breckles*, 1 Hoff. Ch. 534; *Watney v. Wells*, 30 Beav. 56; *Stevens v. Yeatman*, 19 Md. 480.

<sup>4</sup> *Anderson v. Anderson*, 25 Beav. 190.

all the causes which will justify the appointment of a receiver.<sup>1</sup> It will be sufficient to observe here, that where a dissolution has been decreed in consequence of the improper conduct of parties, or for some similar cause, a receiver will be appointed as a matter of course, the reason being that the same causes which justify a decree for dissolution in such cases will also justify an appointment of a receiver; but that where a dissolution has already taken place, and the bill is filed simply for a proper administration of partnership assets, a receiver will not be appointed as a matter of course, but only when there is some mismanagement or improper conduct on the part of the person who has the custody of the property.<sup>2</sup>

The remedy of injunction is also sometimes called into play upon proper cause shown.<sup>3</sup>

#### 511. Doctrine of conversion as applied to partnership real estate; rule in England.

In pursuing the duty of getting in and administering the partnership assets, a Court of Chancery has the power to order a sale of real estate.<sup>4</sup>

It is a general rule that when real estate is purchased with partnership funds for partnership purposes, and without any intention of withdrawing the funds from the firm for the use of all or any of the members thereof as individuals, such real estate is to be considered as partnership property, and as liable to all the equitable rights of the partners between themselves.<sup>5</sup>

<sup>1</sup> For authorities illustrative of the cases in which receivers will be appointed, see *Hall v. Hall*, 3 MacN. & G. 90; *Const v. Harris, T. & R.* 517; *Taylor v. Neate*, 39 Ch. D. 538; *Gowan v. Jeffries*, 2 Ashm. 296; *Williamson v. Wilson*, 1 Bland, 418; *Randall v. Morrell*, 17 N. J. Eq. 346; *Holden v. McMakin*, 1 Pars. Eq. Cas. 270; *Miller v. Jones*, 39 Ill. 54; *Saylor v. Mockbie*, 17 Ia. 209; *Boyce v. Burchard*, 21 Ga. 74; *Maynard v. Bailey*, 2 Nev. 313; *Shulte v. Hoffman*, 18 Tex. 678; *Seibert v. Seibert*, 1 Brews. 531; *Page v. Vankirk*, Id. 287; *Kerr on Receivers*, 90 *et seq.* (2d Am. ed.).

<sup>2</sup> *Kerr on Receivers*, *ut sup.* Even

where a dissolution is contemplated by the decree, it is not in all cases proper to appoint a receiver. *Kerr on Receivers*, 90 (2d Am. ed.)

<sup>3</sup> *Ante*, § 426.

<sup>4</sup> The court has power to order a sale of partnership assets, before a decree for dissolution, in order to prevent a loss. *Wulff v. Superior Court*, 110 Cal. 215.

<sup>5</sup> *Buchan v. Sumner*, 2 Barb. Ch. 198; *Hoxie v. Carr*, 1 Sumn. 181; *Abbott's Appeal*, 50 Pa. 234; *Meily v. Wood*, 71 Id. 488; *Foster v. Barnes*, 81 Id. 377; *Uhler v. Semple*, 20 N. J. Eq. 288; *Sigourney v. Munn*, 7 Conn. 11; *Wallis v. Freeman*, 35 Vt. 44; *Clagett v. Kilbourne*, 1 Black (U. S.),

The result of this rule is that as each partner has an equity to insist upon a sale of such real estate, it is to be treated as personalty for the purposes of the partnership; but whether it is to be so treated for *all* purposes is a question upon which there has been some conflict of authority.

It has been contended, on the one hand, that the conversion of realty into personalty is a conversion "out and out," and that after it has been appropriated to the partnership liabilities, the surplus (if any) is payable to the personal representatives and not to the heir of a deceased partner. This is now the rule in England. After some fluctuations in the law, the conclusions which have been finally reached are that wherever a partnership purchases real estate for the partnership purposes and with partnership funds, it is, as between the real and personal representatives of the partners, personal estate,<sup>1</sup> that it makes no difference as respects the question of conversion, whether the land was purchased with partnership moneys, or whether it was acquired in any other way, provided the land is, in the proper sense of the term, an asset of the partnership;<sup>2</sup> but that the general rule may be excluded by an agreement, express or implied, to the effect that the land shall not be sold, for the reason of the rule (which is that each partner has an equity for a sale of the land) excludes its application in such a case.<sup>3</sup>

### 512. Rule in the United States.

In the United States, however, the general tendency of the authorities is to limit the conversion to the purposes of the partnership, and *ultra* those purposes to treat the property as if in its original state. The consequence of this doctrine is that the surplus, after the partnership liabilities and equities have been answered, will go to the real, and not to the personal, representatives of a deceased partner. This is perhaps the general doctrine throughout the Union;<sup>4</sup> although in Kentucky the

346; 3 Kent's Com. 39; Parsons on Partnership, 363, 369.

<sup>1</sup> Darby v. Darby, 3 Drew. 506.

<sup>2</sup> See the remarks of Lord Eldon in Jackson v. Jackson, 9 Ves. 593. See, also, Waterer v. Waterer, 1 R. 14 Eq. 402.

<sup>3</sup> Steward v. Blakeway, L. R. 4 Ch. 603, and L. R. 6 Eq. 479; Lindley on Partnership, \*346 (5th ed.).

<sup>4</sup> Dyer v. Clark, 5 Met. 562; Wilcox v. Wilcox, 13 Allen, 254; Shearer v. Shearer, 98 Mass. 107; Buchan v. Sumner, 2 Barb. Ch. 165, 201; Tillinghast v. Champlin, 4 R. I. 173; Foster's Appeal, 74 Pa. 397. See, also, Goodburn v. Stevens, 1 Md. Ch. 420; 5 Gill, 1; Hale v. Plummer, 6 Ind. 121; Piper v. Smith, 1 Head. 93; Dilworth v. Mayfield, 36 Miss.

English rule is followed,<sup>1</sup> and in Virginia the question does not seem to be settled, the English rule having been at one time adopted,<sup>2</sup> and the point in subsequent decisions having been treated as doubtful.<sup>3</sup>

### 513. Qualifications of the rule.

The general rule as to conversion, stated above,<sup>4</sup> is, it will be observed, subject to the qualification that where the purchase is made with an intention of withdrawing the funds from the firm for the use of all or any of the members thereof as individuals, the real estate so purchased will not be considered as personal property—in other words, the doctrine of conversion will not apply; and further, that if land belongs to all the partners as tenants in common, but not as partners, and the land is used by them for partnership purposes, but is, nevertheless, intended to remain vested in them as tenants in common, and not to form part of the assets of the firm, the share of each partner will be real, and not personal estate.

A result of the first portion of the above qualification has been held in Pennsylvania to be, that to affect strangers—purchasers, mortgagees, and creditors—there must be some written evidence of the intention of the partners to make the real estate partnership assets, and that where there is simply a conveyance to them as tenants in common, it is not competent to show by parol evidence that the property was in fact designed to form part of the partnership assets,<sup>5</sup> or even that this fact was known to a purchaser.<sup>6</sup>

The opinion in other states of the Union appears to be adverse to following this doctrine, at least to the same extent.<sup>7</sup>

40; *Scruggs v. Blair*, 44 Id. 406; *Lang v. Waring*, 25 Ala. 625; *Espy v. Conier*, 76 Id. 501; *Comstock v. McDonald*, 126 Mich. 142. See, however, *Ware v. Owens*, 42 Id. 212; 3 Kent's Com. 40 (12th ed.); *Parsons on Partnership*, 371; American note to *Lake v. Gibson*, 1 Lead. Cas. Eq. 295 (4th Am. ed.).

<sup>1</sup> *Bank of Louisville v. Hall*, 8 Bush, 672; *Cornwall v. Cornwall*, 6 Id. 60.

<sup>2</sup> *Pierce v. Trigg*, 10 Leigh, 406.

<sup>3</sup> *Jones v. Neale*, 2 Pat. & H. 339; *Davis v. Christian*, 15 Gratt. 11.

<sup>4</sup> *Ante*, p. 717.

<sup>5</sup> *Ridgway's Appeal*, 15 Pa. 177. See, also, *McDermot v. Laurence*, 7 S. & R. 438; *Lefevre's Appeal*, 60 Pa. 125; *Ebbert's Appeal*, 70 Id. 79; *Appeal of Second National Bank*, 83 Id. 203, and *Geddes's Appeal*, 84 Id. 482.

<sup>6</sup> *Hale v. Henrie*, 2 Watts, 143.

<sup>7</sup> See *Fall River Whaling Co. v. Borden*, 10 Cush. 458; *Holmes v. Stix*,

Of the second part of the above-stated qualification, an illustration may be found in *Steward v. Blakeway*,<sup>1</sup> where it was held that a farm and quarry worked by co-owners, in partnership, and additional lands bought by them out of their profits for the purposes of their business, were not to be treated as converted into money, because no partner could have enforced a sale of the property.

#### 514. Sale and account.

Both the realty and the personalty of the firm may be sold by order of court; and a sale is generally necessary in order to effect the winding-up of a concern; as it has been held that one partner cannot take the partnership stock at a valuation, but its value must be ascertained by its conversion into money.<sup>2</sup>

An account is a part of the relief which the court decrees in partnership bills. This account is taken before a master, who is armed with the necessary powers to effectuate the object for which he is appointed.<sup>3</sup> In taking the partnership accounts, a surviving partner will be regarded as a trustee, and will be ordinarily responsible for any profits which he may have made after the dissolution.<sup>4</sup>

#### 515. Winding-up partnerships ; joint and separate debts.

After the partnership assets have been realized, the next step is their appropriation to the payment of partnership liabilities. In doing this the court applies certain equitable doctrines which might not improperly fall under the general head of Adjustment, but which it was thought might be more advantageously reserved for consideration in the present connection.

In the case of a winding-up of a solvent concern no conflict between the rights of different sets of creditors can, of course, occur. But where the partnership property is insufficient to

104 Ky. 351; *Parsons on Partnership*, 378, note; *Story on Partnership*, § 93, note (6th ed.); *Am. note to 1 Lead. Cas. Eq.* 241 (3d Am. ed.).

<sup>1</sup> L. R. 4 Ch. 603. See *Thompson v. Bowman*, 6 Wall. 316.

<sup>2</sup> *Sigourney v. Munn*, 7 Conn. 11; *Dickinson v. Dickinson*, 29 Id. 600.

<sup>3</sup> *Story's Eq. Jurisp.* § 672. In England a number of statutes (commonly known as the Winding-Up

Acts) have been passed, facilitating the settlement of partnership affairs. They will be found collected and discussed in *Lindley on Partnership*, Book IV., Chap. III. (3d Eng. ed.).

<sup>4</sup> See *Phillips v. Atkinson*, 2 Bro. Ch. 272; *Hartz v. Schrader*, 8 Ves. 317; *Waring v. Cram*, 1 Pars. Eq. Cas. 522; *Washburn v. Goodman*, 17 Pick. 519; *Case v. Abeel*, 1 Paige Ch. 398; *Parsons on Partnership*, 442.

meet the partnership liabilities, questions may, and frequently do, arise between the creditors of the firm and the creditors of individual members thereof.

It is a general rule in the first place, both in England and in this country, that partnership assets must be applied in the first instance to the payment of partnership debts.<sup>1</sup> This is not a right of the partnership creditors, but is an equity of each partner that the firm property should go to a firm creditor. The equity of the joint creditors depends upon and must be worked out through the medium of the equities of the partners themselves;<sup>2</sup> and a *bona fide* waiver of this equity by the partners cuts off the right of the creditors.<sup>3</sup>

<sup>1</sup> *Ex parte* Cook, 2 P. Wms. 500; Lindley on Partnership, \*692; *Murphy v. Neill*, 8 How. 414; *Inbuach v. Farwell*, 1 Black (U. S.), 566; *Crooker v. Crooker*, 46 Me. 250; 52 Id. 267; *Treadwell v. Brown*, 41 N. H. 12; *Fall River Whaling Co. v. Borden*, 10 Cush. 458; *Witter v. Richards*, 10 Conn. 37; *Morgan v. Skidmore*, 55 Barb. 263; *Hill v. Beach*, 12 N. J. Eq. 31; *Black's Appeal*, 44 Pa. 503; *McCormick's Appeal*, 55 Id. 252. See *Story's Eq.* § 675; *Simmons v. Tongue*, 3 Bland. 356; *Tunno v. Trezevant*, 2 Dess. 270; *Lucas v. Atwood*, 2 Stew. (Ala.) 378; *White v. Dougherty*, 1 Mart. & Yerg. 309; *Hubble v. Perrin*, 3 Ham. 287; *Talbot v. Pierce*, 14 B. Monr. 195; *Converse v. McKee*, 14 Tex. 20; *Parsons on Partnership*, 347 and 480. "The extent of the application of this rule," said Cadwalader, J., in a case in the Circuit Court of the United States for the Eastern District of Pennsylvania, "is exemplified where two or more distinct partnerships are engaged together in a series of particular adventures or speculations by sea or land. The accounts of such joint concerns are properly stated together as accounts of an aggregate partnerships of which each firm is one member; and if the sev-

eral firms become insolvent, and their affairs are judicially administered, the assets which are avails of the aggregate investments are primarily applicable in payment of debts of the aggregate concern to the exclusion or postponement of partnership debts of the several firms." *Potter v. Hicks*, May, 1878, Pamphlet; 19 Fed. Cas. 1154. See remarks of Lord Justice James, in *Ex parte Dewhurst*, L. R. 8 Ch. 968, where, however, the point did not arise.

<sup>2</sup> *Ex parte* Ruffin, 6 Ves. 119; *Campbell v. Mullett*, 2 Swanst. 551, 575; *Skipp v. Harwood*, Id. 586; *Allen v. The Centre Valley Co.*, 21 Conn. 130, 135; *Washburn v. Bank of Bellows Falls*, 19 Vt. 278, 291; *Doner v. Stauffer*, 1 P. & W. 198; *Lindley on Partnership*, \*335 (5th ed.); *American note to Silk v. Prime*, 2 Lead. Cas. Eq. 392, 393 (4th Am. ed.); *Arnold v. Hagerman*, 45 N. J. Eq. 186; *Farwell v. Huston*, 151 Ill. 239; *Millhiser v. McKinley*, 98 Va. 207. As to the rights of an ostensible partner, see *Broadway Nat. Bk. v. Wood*, 165 Mass. 312, which seems to be in conflict with *Thayer v. Humphrey*, 91 Wis. 276.

<sup>3</sup> *Reyburn v. Mitchell*, 106 Mo. 368; *Mansur-Tebbetts Imp. Co. v. Bruton*,

### 516. Separate assets of deceased partner applied in the first instance to payment of separate debts.

It is, moreover, the rule in England and in many of the United States, that separate assets are to be applied in the first instance to the payment of individual debts; and that the joint creditors are entitled only to the surplus after such payment. In many other states, however, this rule has not been followed.<sup>1</sup> The origin of this doctrine appears to be as follows: At law in case of the death of a partner, the survivor alone was liable; the estate of the deceased partner could be reached only in equity.<sup>2</sup> But while equity regarded the estate of the deceased partner as assets for the payment of the firm debts, it was careful to observe the principles which govern the distribution of equitable assets, among which is the doctrine that legal priorities must be observed. As the individual creditors of the deceased partner had a legal right to be satisfied out of his estate, it necessarily follows that this right must be first regarded before the purely equitable right of the joint creditors could be enforced; in other words, the latter was logically postponed to the former. Hence, the separate estate in such a case was said to be applicable, in the first instance, to pay the separate debts. So far the rule was perfectly logical; but its subsequent extension was, perhaps, not so.<sup>3</sup>

### 517. Extension of this doctrine; English rule.

When both of the partners of a firm, of which the assets are in the course of distribution, are alive, or when the estate to be administered is that of the surviving partner, the joint creditors

159 Mo. 213; *Smith v. Smith*, 87 Iowa, 93; *Goddard Peck Co. v. McCune*, 122 Mo. 426; *Huiskamp v. Moline Wagon Co.*, 121 U. S. 310; *Sels, etc., Co. v. Mayer*, 151 Ind. 422; *Noyes v. Ross*, 23 Mont. 425; *Kincaid v. Wall-Paper Co.*, 63 Kan. 288. But where the waiver is *mala fide*, the rule will be different. *Aiken v. Steiner*, 98 Ala. 355; *Bank v. Duffey*, 72 Miss. 971; *Ewart v. Nave-McCord Co.*, 130 Mo. 112; *Bedford v. McDonald*, 102 Tenn. 358; *Bank v. Fargason*, 79 Miss. 64.

<sup>1</sup> *Gray v. Chiswell*, 9 Ves. 119;

*Lindley on Partnership*, \*598; *Allen v. Wells*, 22 Pick. 453; *Bardwell v. Perry*, 19 Vt. 292; *Murray v. Murray*, 5 Johns. Ch. 60; *Davis v. Howell*, 20 Am. L. Reg. (N. S.) 461, and note; *Para. on Partnership*, 480, 548.

<sup>2</sup> *Hamersley v. Lambert*, 2 Johns. Ch. 508.

<sup>3</sup> See American note to *Silk v. Prime*, 2 L. Cas. Eq. 391 (4th Am. ed.), where the authorities are examined, and the reason of the rule (as stated in the text) explained. See, also, *Ex parte Dear*, 1 Ch. D. 514.

have an equal legal right with the separate creditors, the partnership debts being both joint and several. In such cases there is no reason for invoking any equity in favor of joint creditors to enable them to reach separate assets, because they are already entitled to do so by virtue of their legal position. Hence, as the rights of all parties are of a strictly legal character, there would seem, logically, to be no reason why the rights of one set of creditors should be preferred over those of another set; in other words, why, in the distribution of the separate estate, the separate creditors should have any priority over the joint. But this line of reasoning, however sound it may be theoretically, has not, in practice, found favor with the English courts. The rule is now well settled that not only in the case of a deceased partner leaving his co-partner surviving, but also in the case of the death of a surviving partner, or in the winding-up of a partnership during the lifetime of both the parties, separate assets are to be applied in the first instance to the payment of separate debts, and that joint creditors are not entitled to come in until individual creditors are satisfied.<sup>1</sup> The theory upon which this rule is based appears to be that as joint assets are applicable in the first instance to joint debts, it is equitable that separate assets should in like manner be appropriated to separate debts;<sup>2</sup> and it has been, therefore, held not to apply to those cases in which there is no partnership property, and no living solvent partner. In such cases the joint creditors have a right to come in against the separate assets *pari passu* with the separate creditors.<sup>3</sup>

<sup>1</sup> Note to *Silk v. Prime*, 2 Lead. Cas. Eq. 381 (4th Am. ed.). This rule, however, will not be applied in cases of fraud. Thus, where a partner fraudulently withdraws funds from the firm and appropriates them to his own use, the creditors of the firm are entitled to prove against the separate estate of the individual partner. *Read v. Bailey*, 3 App. Cas. 94. See, also, *Ex parte Mayou*, 4 De G., J. & S. 668; *In re Cook & Gleason*, 5 Russell, 122; *Ex parte Sillitoe*, 1 Gl. & J. 374, 382.

<sup>2</sup> "The rules so laid down are a sort of rough code of justice, because some rule must be laid down

for the purpose of keeping joint and separate estates distinct, and for paying the joint and separate creditors. But this is a mere artificial distinction." *Per James, L. J.*, in *Lacey v. Hill*, L. R. 8 Ch. 444. See, also, *Davis v. Howell*, 20 Am. Law Reg. (N. S.) 461, and note.

<sup>3</sup> Story on Partnership, § 380. See *In re Litchfield*, 5 Fed. Rep. 47. See, however, *Warren v. Farmer*, 100 Ind. 593. The subject of the distribution of joint and separate estates in bankruptcy will be found discussed in *Lindley on Partnership*, Book IV., Chap. IV., § 4.



**518. Rule in *Tucker v. Oxley*.**

The English rule upon this subject has been adopted in many adjudged cases in this country, including at least one decision by the Supreme Court of the United States.<sup>1</sup> But the same high tribunal has decided the other way in *Tucker v. Oxley*;<sup>2</sup> where it was said to be unjust to apply the estate of each individual to the discharge of the several debts, to the entire exclusion of the joint creditors, who previous to the bankruptcy of the partners had a legal and equitable right to satisfaction out of the separate estate of each; and a similar conclusion has been reached by many other courts throughout the Union. In these decisions, however, there is a general disposition to favor the marshalling of assets, so as to compel the joint creditors to resort, in the first instance, to the partnership funds; which, it would seem, in fairness and equity, ought to be done. In some cases, indeed, the rule in *Tucker v. Oxley* has been pushed too far; and in several states the subject has been regulated by statute. It would be impossible, in a treatise like the present, to enter minutely into these different decisions and legislative enactments. All that can be done is to state the English rule, and the rule in *Tucker v. Oxley*, with the theories upon which these two different doctrines appear, respectively, to be based.<sup>3</sup>

When a partnership creditor has acquired a legal priority in respect of the separate estate, such priority cannot be disturbed by the equities of the separate creditors. A judgment for a partnership debt, for example, is a lien upon the separate real estate of the partners; and priority acquired by virtue of that lien is a legal right which the equity of the separate creditors will not be permitted to interfere with.<sup>4</sup>

**519. Bankruptcy act of 1898.**

The Bankruptcy Act of July 1, 1898, provides, in its fifth section, that the net proceeds of the partnership property shall be

<sup>1</sup> *Murrill v. Neill*, 8 How. 414; American note to *Silk v. Prime*, 2 Lead. Cas. Eq. 381.

<sup>2</sup> 5 Cranch, 34.

<sup>3</sup> See note to *Silk v. Prime* (*supra*), where the subject is elaborately discussed. See, also, *Black's Appeal*, 44 Pa. 503; *Kuhne v. Law*, 14 Rich. (Law) 18; *Story on Partnership*, § 376, and notes.

<sup>4</sup> *Meech v. Allen*, 17 N. Y. 302; *Wilder v. Keeler*, 3 Paige Ch. 171; *National Bank v. Sprague*, 20 N. J. Eq. 13, 30. In New Hampshire the rule is different, *Jarvis v. Brooks*, 3 Foster, 136; note to *Silk v. Prime*, 2 Lead. Cas. Eq. 422. See further on this subject, *Averill v. Loucks*, 6 Barb. 470; *McCulloh v. Dashiell*, 1 Har. & G. 66; *Mower v. Kip*, 6 Paige Ch. 88.

appropriated to the payment of the partnership debts, and the net proceeds of the individual estate of each partner to the payment of his individual debts; that any surplus of any individual estate, after paying individual debts, shall go to firm assets for the benefit of firm creditors, and that any like surplus of partnership property shall be added to the assets of the individual partners, in proportion to their respective interests in the firm. The act further provides, in the same section, that the court shall have power to marshal the assets of partnership estates, and of individual estates, so as to prevent preferences and secure the equitable distribution of the property of both estates. While this statute continues in force, the difference between the views explained in the preceding section becomes, of course, immaterial when partnership property happens to be distributable under the act.

#### **520. Method in which joint creditors may collect their debts.**

Before leaving the discussion of the equitable remedy by partnership bills, one or two other matters connected with the general subject of partnership may properly be noticed.

It was stated above that the right to have partnership assets applied in the first instance to the payment of firm debts, is an equity, not of the firm creditors, but of the partners themselves.

It is a consequence of this doctrine that these creditors have no standing in equity to restrain any disposition of partnership assets until they have exhausted all their legal remedies. It is not until they have endeavored to enforce the collection of their debts by execution at law and failed, that they can have recourse to a bill in equity.<sup>1</sup> Such a proceeding is termed a creditor's bill, the general nature of which will be explained hereafter. By means of such a bill, after an execution has been returned unsatisfied, a creditor can restrain the fraudulent disposition of property which ought to be applied to the payment of his debt, or may reach any property which has been thus fraudulently disposed of.

#### **521. Remedies of separate creditors.**

The fact that partnership assets are to be applied in the first instance to the payment of firm debts, does not exempt them

<sup>1</sup> *Greenwood v. Brodhead*, 8 Barb. Prime, 2 Lead. Cas. Eq. 403 (4th (S. C.) 593; Am. note to *Silk v. Am. ed.*).

from liability to the separate debts of each partner, so far as that individual's interest is concerned, and subject to the equities of the other members of the firm.

A separate creditor of a partner has, therefore, a right to issue an execution against partnership effects, and levy upon and sell the separate interest of the debtor therein. The purchaser at such a sale does not acquire an absolute and entire interest in the goods sold, but only a right, which is subject to the paramount right of the other partners to have them applied to the payment of the firm debts should the financial condition of the partnership require it, and also to any balance due by the debtor upon the settlement of accounts between himself and his co-partners. In short, he has the right to call for an account.<sup>1</sup>

The principle is the same whether the transfer is the act of the party or the act of the law, and is applicable to a voluntary assignment for the benefit of creditors, or to a sale made by a partner individually in the ordinary course of business.<sup>2</sup>

Whether an injunction can be issued to restrain the separate creditor from proceeding to a levy and sale of the partnership goods, is a question upon which the authorities are somewhat conflicting. Where, however, the firm is insolvent, and, therefore, the separate creditor could gain nothing by his execution, there would seem to be much reason in holding that equity ought to interfere on behalf of the other partners.<sup>3</sup>

### 522. Joint and separate executions.

It sometimes happens that levies under executions issued at the suit of both joint and separate creditors are made simultaneously, and that in such cases questions of no little difficulty arise. The proper course for the sheriff to pursue in such cases would seem to be to sell under both writs in the order of time in which he received them, and leave the rights of the parties to be decided subsequently in equity.<sup>4</sup> This appears to be the course adopted in England.<sup>5</sup> The decisions in the United States upon

<sup>1</sup> Story on Partnership, § 263; Am. note to *Silk v. Prime*, 2 Lead. Cas. Eq. 409. See, also, *Taylor v. Fields*, 4 Ves. 396; *Bank v. Carrolton Railroad*, 11 Wall. 628.

<sup>2</sup> *Taylor v. Fields*, 4 Ves. 396; *McNutt v. Strayhorn*, 39 Pa. 269; note

to *Silk v. Prime*, 2 Lead. Cas. Eq. 408.

<sup>3</sup> Am. note to *Silk v. Prime*, 2 Lead. Cas. Eq. 411 *et seq.*; Story's Eq. Jurisp. § 677.

<sup>4</sup> Am. note to *Silk v. Prime*, 2 Lead. Cas. Eq. 411 *et seq.*

<sup>5</sup> *Id.*

this point are not uniform. In some states the method above stated has been approved. In others, the separate execution has been considered as superseded by the joint execution, and the separate creditor is consequently excluded. The English course would seem to be most conformable to principle; while the other view has convenience in its favor. When such a coincidence of executions occurs, the joint creditors would, perhaps, have the right to restrain the separate creditors by injunction if the firm is insolvent.<sup>1</sup>

When the separate interest of each and every partner is levied upon and sold for individual debts, it has been held that the purchaser will take the whole interest, and the partnership creditors can subsequently have no claim.<sup>2</sup> The equities of all the partners being swept away by the sale, the rights of the firm creditors necessarily fall with them. But if before such sale another levy is made under a partnership judgment, the purchase-money under such a levy will be applicable in the first instance to the payment of the partnership debts.<sup>3</sup>

### 523. Suits between firms having a common member.

It is said that another instance in which equity affords relief in partnership cases where no remedy exists at law, is to be found in those cases in which there is a creditor firm and a debtor firm having a common member. It is well known that in such a case no common-law action would lie, as no person can be both plaintiff and defendant in the same suit. "But there is no difficulty" (it has been observed by a writer of the highest authority) "in proceedings in courts of equity to final adjustment of all the concerns of both firms in regard to each other."<sup>4</sup> This is undoubtedly true when the affairs of either partnership have for any reason been brought into chancery for settlement. But it may be doubted, with due deference to the distinguished authority just cited, whether any remedy would exist, even in equity, for the simple collection of a debt due by one solvent firm to another having a common member.<sup>5</sup> The difficulty has in some states been removed by statute.

<sup>1</sup> See Am. note to *Silk v. Prime*, 2 Lead. Cas. Eq. 411 *et seq.*, where the subject is discussed.

<sup>2</sup> *Doner v. Stauffer*, 1 P. & W. 198; *Vandike's Appeal*, 57 Pa. 12.

<sup>3</sup> See *Coover's Appeal*, 29 Pa. 9; *Menagh v. Whitwell*, 52 N. Y. 156.

<sup>4</sup> *Story's Eq. Jurisp.* § 680.

<sup>5</sup> See Article in 5 *American Law Review*, 47.

**524. Mines.**

It has been said, in a learned work, that there is a jurisdiction in equity similar to that exercised in cases of partnership, where mines and collieries are owned and worked by several persons in common.<sup>1</sup> But it would seem that where there is a joint undertaking to work a mine, there would be a partnership as to such working, though not as to the land, and would fall under the ordinary jurisdiction in partnership cases.<sup>2</sup> And so, also, where there was evidence that the whole property was intended to be used in the business, then the partnership would extend to the land. In the absence, however, of such an understanding there would appear to be no jurisdiction apart from that which exists between tenants in common.<sup>3</sup>

<sup>1</sup> Adams's Doct. Eq. 247.

<sup>2</sup> See *Roberts v. Eberhardt, Kay*,

<sup>3</sup> See *Decker v. Howell*, 42 Cal. 642.

148; *Garside v. Norval*, 1 Alaska, 19.

## CHAPTER VI.

## CREDITORS' BILLS AND ADMINISTRATION SUITS.

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| <p>525. Creditors' bills; are of two classes.</p> <p>526. Creditors' bills against a debtor during lifetime; inefficiency of common-law executions.</p> <p>527. Nature and effect of the Equitable remedy.</p> <p>528. Creditors' bills of the second class; Administration suits.</p> <p>529. Not of great importance in this country.</p> <p>530. General course of proceeding in an administration suit.</p> <p>531. Equitable Assets; doctrine of</p> | <p>comparatively little importance.</p> <p>532. Origin of the doctrine.</p> <p>533. <i>Silk v. Prime</i>.</p> <p>534. <i>Cook v. Gregson</i>.</p> <p>535. Doctrine of Performance.</p> <p>536. Covenant to settle, and subsequent purchase.</p> <p>537. Covenant to pay, and subsequent intestacy.</p> <p>538. Satisfaction; of debts by legacies.</p> <p>539. Of legacies by legacies.</p> <p>540. Of legacies by portions; of portions by legacies.</p> |
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**525. Creditors' bills ; are of two classes.**

CREDITORS' bills are bills filed by creditors for the purpose of collecting their debts out of the real or personal property of the debtor, under circumstances in which the process of execution at common law could not afford relief. This equitable remedy may be made use of during the lifetime of the debtor, or after his death. Creditors' bills filed against the estate of a decedent, generally, though not necessarily, partake of the nature of administration suits, and will be considered in that connection. Creditors' bills of the first class—*i. e.*, against a debtor during his lifetime—are now to be noticed.

**526. Creditors' bills against a debtor during lifetime ; inefficiency of common-law executions.**

Creditors' bills of the first class may be defined to be bills filed by creditors who seek to satisfy their debts out of some equitable estate of the defendant, which is not liable to levy and sale under an execution at law, or out of some property

which has been put beyond the reach of ordinary legal process.<sup>1</sup> They may be also made use of for the purpose of obtaining discovery of the debtor's property.<sup>2</sup>

Bills of this description had their origin in the limited scope of the ordinary writs of execution. These writs, being common-law writs, were confined in their operation to legal interests. Equitable interests could be reached, if reached at all, in equity alone. It is true that the Statute of Frauds<sup>3</sup> gave legal execution against the real estate of which any person was seised in trust for the debtor at the time the execution was sued out. But this exception was obviously very limited in its operation, for it did not extend to chattels real, to trusts under which the debtor has not the whole interest, to equities of redemption, or to any equitable interest which had been parted with before execution sued out. This narrowness of the common-law remedy naturally led to a jurisdiction in equity to afford the necessary relief.<sup>4</sup>

### 527. Nature and effect of the Equitable remedy.

Upon a bill being filed in a proper case, the equitable property will be taken into the possession of the court by the appointment of a receiver; the party holding the legal estate will be restrained from interfering with the prosecution of the creditors' remedy; and in the case of an equity of redemption, the judgment-creditor is suffered to redeem.<sup>5</sup>

<sup>1</sup> See *Newman v. Willetts*, 52 Ill. 101. See, also, *Hagan v. Walker*, 14 How. 29; *Trask v. Green*, 9 Mich. 358; *Botsford v. Beers*, 11 Conn. 369; *Weed v. Pierce*, 9 Cow. 722; *Spader v. Davis*, 5 Johns. Ch. 280; 20 Johns. 554; *Bayard v. Hoffman*, 4 Johns. Ch. 450; *Webster v. Folsom*, 58 Me. 230; *Warner v. Moran*, 60 Id. 227; *Dodge v. Griswold*, 8 N. H. 425; *Barry v. Abbott*, 100 Mass. 396; *Lillard v. McGee*, 4 Bibb, 165; *Trippe v. Lowe*, 2 Kelly, 304; *Thurmond v. Reese*, 3 Id. 449; *Eliot v. Merchants' Exch.*, 14 Mo. App. 234 (a case of a seat in the Merchants' Exchange); *Dargan v. Waring*, 11 Ala. 988, 993; *Dunphy v. Kleinsmith*, 11 Wall. 614; *Belcher v. Arnold*, 14 R. I. 613; *Tantum v. Green*, 21 N. J. Eq. 364; *Hall v.*

*Joiner*, 1 S. C. (N. S.) 186; *Turner v. Adams*, 46 Mo. 95; *Farnsworth v. Strasler*, 12 Ill. 482; *Dodd v. Levy*, 10 Mo. App. 121; *German Nat. Bank v. First Nat. Bank*, 55 Neb. 86. As to obtaining priority by filing a creditor's bill, see *Pallis v. Robinson*, 73 Mo. 201; *Boyle v. Maroney*, 73 Ia. 70; *Hancock v. Wooten*, 107 N. C. 9; *Weckerly v. Taylor*, 74 Neb. 84.

<sup>2</sup> *Newman v. Willetts*, 52 Ill. 101; *Schofield v. Ute Coal and Coke Co.*, 34 C. C. A. 334.

<sup>3</sup> 29 Car. II., c. 2, § 10.

<sup>4</sup> *Gullicksen v. Madsen*, 87 Wis. 19.  
<sup>5</sup> See *Adams's Doct. Eq.* 129; *Smith and Wolf's Appeal*, 104 Pa. 381; *Shamwald v. Lewis*, 7 Sawyer C. C. Rep. 148, and *People's Nat. Bank of Pittsburg v. Loeffert*, 184 Pa. 172.

Bills of this description are still made use of in England, although the efficacy of the common-law writs of execution has been much increased by legislation; and they are of very frequent occurrence in many of the United States. The threefold advantage of reaching property otherwise exempt, of setting aside fraudulent conveyances,<sup>1</sup> and of discovery, renders a creditor's bill a very effective instrument for the collection of debts.<sup>2</sup> The jurisdiction of a court of equity, it has been said,<sup>3</sup> to reach property of a debtor justly applicable to the payment of his debts, even where there is no specific lien on the property, is undoubted; it is a very ancient jurisdiction. And, again, it has been said that while courts of equity are not tribunals for the collection of debts, yet they afford their aid to enable creditors to obtain payment, when their legal remedies have proved to be inadequate.<sup>4</sup>

The leading authorities upon the subject in the United States may be said to be *Spader v. Davis*<sup>5</sup> and *Bayard v. Hoffman*.<sup>6</sup> In these cases Chancellor Kent, basing his opinion upon some early English decisions,<sup>7</sup> held that in cases of fraudulent aliena-

This last is an interesting case, as illustrating the extent to which equity will go where a debtor has placed improvements upon the realty of a third party who connives with the debtor to defraud the creditors of the latter. In such cases the creditors can maintain an equitable lien on the property to the extent of the value of the improvements. *Ante*, § 242. See, also, in this connection, *Huntington v. Jones*, 72 Conn. 45, where trustees agreed to anticipate payments to a *cestui que trust*, and *Lippincott v. Evans*, 35 N. J. Eq. 553, where the property was held *not* to be liable to a bill.

<sup>1</sup> *Housemann v. Grossman*, 177 Pa. 453.

<sup>2</sup> A patent right may be subjected by a bill in equity to the payment of a judgment debt of the patentee. *Agar v. Murray*, 105 U. S. 126; *Gillett v. Bate*, 86 N. Y. 87. See, however, under the Massachusetts statute, *Carver v. Peck*, 131 Mass.

291; and under the limited equitable jurisdiction of the Pennsylvania courts, *Bakewell v. Keller*, 11 W. N. C. 300, where it was held that such a bill would not lie. (This is now corrected by the Act of 1889, P. L. 172.) See, moreover, *Gilman v. Bell*, 99 Ill. 144, where it was held that equity would not compel the donee of a power to execute it in his own favor at the instance of creditors.

<sup>3</sup> By Mr. Justice Field in *The Public Works v. Columbia Coll.*, 17 Wall. 521.

<sup>4</sup> By Justice Harlan in *Taylor v. Bowker*, 111 U. S. 110. See *People's Bank v. Loeffert*, 184 Pa. 164, for an illustration of the extent to which this relief will be carried, and an explanation of the principle on which it is based by Mr. Justice Fell.

<sup>5</sup> 5 Johns. Ch. 280; on appeal, *nomine*, *Hadden v. Spader*, 20 Johns. 554.

<sup>6</sup> 4 Johns. Ch. 452.

<sup>7</sup> *Taylor v. Jones*, 2 Atk. 600; *King*



tion courts of equity ought to interfere, whether the property could be reached by execution at law or not. Since the time of these decisions the equitable remedy by creditors' bill has been extensively used in many of the United States, and its efficiency has been much increased in several states by statute; and in some instances the remedy is expressly specified in the grant of chancery powers to the courts.

As this remedy is based upon the incapacity to obtain relief at common law, it is incumbent upon the complainant, as a general rule, to show that he has exhausted his common-law remedies before resorting to equity.<sup>1</sup> This is generally done by showing that he has obtained a judgment,<sup>2</sup> has issued execution, and that there has been a return thereon of *nulla bona*.<sup>3</sup> And these facts must be alleged in the bill to give the court

*v. Mariassal*, 3 Id. 192; *Horn v. Horn*, Amb. 79. Of this last case, Lord Thurlow is reported to have said: "The opinion in *Horn v. Horn* is so anomalous and unfounded that forty such opinions would not satisfy me." *Grogan v. Cooke*, 2 Ball. & Beat. 233. The reasoning of Lord Thurlow prevailed in the English law, and the consequence was, that it subsequently was found necessary to make *chooses in action* liable to execution by statute. See, upon the subject, *Green v. Keene*, 14 R. I. 388, and *First Nat. Bk. of Shreveport v. Randall*, 20 R. I. (Part II.) 81.

<sup>1</sup> *Newman v. Willetts*, 52 Ill. 101; *Hall v. Joiner*, 1 S. C. (N. S.) 136. See *Suydam v. The N. W. Ins. Co.*, 51 Pa. 394; *Page v. Heath*, 56 Id. 223; *Bickley v. Paul*, 11 Phila. 257; *Albright v. Hersog*, 12 Ill. App. 557; *Tyler v. Peatt*, 30 Mich. 63; *Bassett v. St. Albans Co.*, 47 Vt. 312; *Frost v. Libby*, 79 Me. 56; *Smith-Dimmick Lumber Co. v. Teague*, 119 Ala. 385. Judgment in a United States court is no basis for such a bill in a state court, *Winslow v. Leland*, 128 Ill. 304. It has been ruled that where the property of a debtor can be effectually reached by *fi. fa.* or by

attachment, a creditor's bill will not lie, *Bank v. Kern*, 193 Pa. 66.

<sup>2</sup> But obtaining a lien by attachment has been held to be sufficient, *Bennett v. Minott*, 28 Ore. 339.

<sup>3</sup> See *Jones v. Green*, 1 Wall. 332; *Beck v. Burdett*, 1 Paige Ch. 305, 308; *Brinkerhoff v. Brown*, 4 Johns. Ch. 671; *Williams v. Brown*, Id. 682; *McDermutt v. Strong*, Id. 687; *Hendricks v. Robinson*, 2 Id. 283; *Brown v. Long*, 1 Ired. Eq. 190; *McNairy v. Eastland*, 10 Yerg. 310, 319; *Stone v. Manning*, 2 Scam. 530; *Manchester v. McKee*, 4 Gilm. 511; *Matarese v. Caldarone*, 26 R. I. 348; *Miller v. Davidson*, 3 Id. 518; *Dornmeel v. Ward*, 108 Ill. 216; *Reese v. Bradford*, 13 Ala. 837; *Webster v. Clark*, 25 Me. 313; *Tappan v. Evans*, 11 N. H. 312; *Allen v. Montgomery*, 48 Miss. 106; *Hamlen v. McGillicuddy*, 62 Me. 268 (as to sufficiency of special return amounting to *nulla bona*); note to *Sexton v. Wheaton*, 1 Am. Lead. Cas. 54, 55; *Beidler v. Douglas*, 35 Ill. App. 124; *Vicks. & M. R. Co. v. Phillips*, 64 Miss. 108. This is no longer the rule in South Carolina. *State v. Foot*, 27 S. C. 340. Nor in North Carolina, *Hancock v. Wooten*, 107 N. C. 9.

jurisdiction, for otherwise it would not appear but that the party had a complete remedy at law.<sup>1</sup> This rule, though a stringent one, is nevertheless not without exceptions. A judgment followed by a fruitless execution, however, is only *evidence* that the legal remedies have been exhausted, and if the futility of resorting to process at law is shown by other proofs, such as (for instance) an alleged fraudulent assignment by an insolvent debtor of all his property, suing out execution would be an idle ceremony, and would not be required before filing a bill.<sup>2</sup> An exception is made, for instance, in New Jersey and Oregon in favor of an attaching creditor, because by the law of those states an attaching creditor by his writ obtains a lien on the property. Other instances will be found in the notes.<sup>3</sup>

The filing of a creditor's bill, and the service of process creates a lien in equity upon the effects of a judgment-debtor. It has been aptly termed an "equitable levy."<sup>4</sup> It may be filed by one creditor alone, or by one on behalf of himself and all others who choose to come in.<sup>5</sup>

Bills of this description are sometimes employed for the pur-

<sup>1</sup> *Newman v. Willetts*, 52 Ill. 101; *Nat. Tube Co. v. Ballou*, 146 U. S. 517. See, in this connection, *Smith v. Bourbon Co.*, 127 U. S. 105; *The Northwestern Iron Co. v. The Central Trust Co.*, 90 Wis. 570, and *Jenks v. Horton*, 114 Mich. 48.

<sup>2</sup> *Case v. Beauregard*, 101 U. S. 688-690; *Sage v. Memphis & Little Rock R. R. Co.*, 125 Id. 361; *Talley v. Curtain*, 8 U. S. App. 347; *Merchants' Nat. Bank v. Greenhood*, 16 Mont. 395; *Blair v. Illinois Steel Co.*, 159 Ill. 350; *Springer v. Puttkamer*, Id. 567; *Fleischner v. Bank of McMinnville*, 36 Oreg. 553; *Freeman v. Stuart*, 119 Ala. 158.

<sup>3</sup> See *Sage v. Memphis & Little Rock Railroad Co.*, 125 U. S. 361; *Brown v. Lake Superior Iron Co.*, 134 Id. 530; *Francis v. Lawrence*, 48 N. J. Eq. 508; *Dawson v. Sims*, 14 Oreg. 561; *Turner v. Adams*, 46 Mo. 95; *Payne v. Sheldon*, 63 Barb. 169; *Botsford v. Beers*, 11 Conn. 369; *Huntington v. Jones*, 72 Id. 45;

*Stephens v. Beal*, 4 Ga. 319; *Tappan v. Evans*, 11 N. H. 311; *Merchants' Nat. Bank v. Paine*, 13 R. I. 592; *Aigeltinger v. Einstein*, 143 Cal. 609; *Bay v. Cook*, 31 Ill. 336; *Dillman v. Nadelhoffer*, 162 Id. 625; *Ticonic Bank v. Harvey*, 16 Ia. 141; *Logan v. Logan*, 22 Fla. 561; *Binnie v. Walker*, 25 Ill. App. 82; *Reyburn v. Mitchell*, 106 Mo. 365; *Ready v. Smith*, 170 Mo. 163; *Stephens v. Parvin*, 33 Colo. 60.

<sup>4</sup> *Tilford v. Burnham*, 7 Dana, 110; *Miller v. Sherry*, 2 Wall. 249; *Mercantile Trust Co. v. Southern States L. & T. Co.*, 30 C. C. A. 358; *King v. Goodwin*, 130 Ill. 102; *Taylor v. Taylor*, 59 N. J. Eq. 86; *Davidson v. Burke*, 143 Ill. 139. But (it was held in a North Carolina case) only on equitable assets, *Bank v. Bank*, 127 N. C. 432.

<sup>5</sup> *Hendricks v. Robinson*, 2 J. C. R. 283. See *Saxton v. Davis*, 13 Ves. 78, 82, and *St. Louis v. O'Neil Lumber Co.*, 114 Mo. 74.

pose of subjecting the separate property of married women to the payment of their debts.<sup>1</sup>

Still more frequently in modern times have creditors' bills, or bills in the nature of creditors' bills, been entertained for the relief of creditors of insolvent corporations.<sup>2</sup> The jurisdiction of Courts of Chancery in such cases may be placed partly on the advantages of the equitable remedy now under consideration, and partly on the nature of corporate property. It has been held in some cases, that in equity the capital stock of a corporation is a trust fund for the payment of its debts; and that the liabilities of subscribers to capital stock and the dealings of stockholders with shares are, in equity, to be determined and regulated largely with reference to this fiduciary nature of the capital stock. The leading case upon the subject in this country may be said to be *Sawyer v. Hoag*, decided by the Supreme Court of the United States in 1873.<sup>3</sup> This case has been followed by others in the Federal tribunals; and similar decisions have been made in state courts.<sup>4</sup> Whether, however, the stock of a corporation is to be regarded as a trust fund has been doubted. But whatever the grounds of the jurisdiction may be, its existence is well established; and by bills in such cases, in the nature of creditors' bills,<sup>5</sup> unpaid subscriptions to capital stock may be collected, the

<sup>1</sup> See *Lillia v. Airey*, 1 Ves. Jr. 277; *Methodist Episcopal Church v. Jaques*, 1 Johns. Ch. 450; *Todd v. Lee*, 15 Wis. 365; *Kerr on Receivers*, 57 (2d Am. ed.).

<sup>2</sup> *Barber v. International Co. of Mexico*, 73 Conn. 587. A court of equity has the power to review the question of the reasonableness of salaries for the personal services of directors as corporate officers, though fixed by the stockholders, especially where the salary was fixed by the vote of the director as a majority stockholder for his own benefit. *Lillard v. Oil Co.*, 70 N. J. Eq. 197.

<sup>3</sup> *Sawyer v. Hoag*, 17 Wall. 610.

<sup>4</sup> Among the authorities on this subject are *Sawyer v. Upton*, 91 U. S. 56; *Hatch v. Dana*, 101 Id. 205; *County of Morgan v. Allen*, 103 Id. 498; *Crandall v. Lincoln*, 52 Conn. 73;

*Messersmith v. Sharon Savings Bank*, 96 Pa. 440; *Bell's Appeal*, 115 Id. 88; *Bailey v. Pittsburg Coal R. R. Co.*, 139 Id. 213; *First Nat. Bk. v. Gustin Min'g Co.*, 42 Minn. 327 (it may be noted that the same court decided differently in *Hospes v. Northw. Mfg., etc., Co.*, 48 Minn. 174); and *Vermont, etc., Co. v. Deelee Co.*, 135 Cal. 579. See, also, *Spelling on Corp.* § 790; *Handley v. Stutz*, 139 U. S. 417, and article in 25 Am. Law Rev., p. 749, by R. C. McMurtrie, Esq.

<sup>5</sup> By a bill in the nature of a creditor's bill, stockholders of an insolvent corporation may be compelled to pay the difference between the par value of stock, and the reasonable value of property conveyed in payment of subscriptions. *Pickering v. Townsend*, 118 Ala. 351.

fraudulent disposition of corporate assets may be enjoined, and the administration of corporate property for the benefit of creditors and others may be secured.<sup>1</sup> The personal liability of directors may be enforced by such bills;<sup>2</sup> and, indeed, in some jurisdictions such liability is enforceable in equity alone.<sup>3</sup>

The subject was considered in the year 1886, by the Supreme Court of Pennsylvania in *Penn Bank v. Hopkins*,<sup>4</sup> just cited, and the ruling of the court in that case may be usefully referred to, not only because it reiterated the general doctrine that a creditor's bill may be maintained against the directors of an insolvent corporation for the mismanagement of its affairs, but also because it illustrates two of the points which not unfrequently arise in such cases. It there appeared that an insolvent corporation had made an assignment for the benefit of its creditors, and that certain of the creditors had subsequently filed a bill against the directors of the corporation to which the assignee for the benefit of creditors was made a party defendant. It was held, in the first place, that the bill in equity prevented any suit at common law from being brought by the assignee, in the name of the corporation, against the directors for the same cause of action, and that the pendency of the creditor's bill was a good plea in the abatement of the action at law. It was ruled, in the second place, that where the wrong complained of is perpetrated by the directors themselves, it is not necessary to show that, before the bill was filed, there had been a demand upon the corporation to proceed, and a refusal on its part to do so.<sup>5</sup>

Still more recently, the right of a single judgment-creditor of a corporation to invoke chancery aid for the purpose of collecting his debt, was considered by the Supreme Court of the United States, in *Sage v. Memphis and Little Rock Railroad*

<sup>1</sup> See *Hollins v. Brierfield Co.*, 150 U. S. 371; *Lane's Appeal*, 105 Pa. 49; *Trust Company v. Loan Co.*, 92 Me. 444; *Barton Nat. Bank v. Atkins*, 72 Vt. 33; *Brown v. Fisk*, 23 Fed. Rep. 228; *Tunesma v. Shuttler*, 114 Ill. 156; *Rounds v. McCormick*, Id. 253; *Olney v. Conanicut Co.*, 16 R. I. 597; *Vermont, etc., Co. v. Decles Co.*, 135 Cal. 579; *Cook v. Carpenter*, 212 Pa. 165.

<sup>2</sup> *Penn Bank v. Hopkins*, 111 Pa. 328.

<sup>3</sup> *Stone v. Chisolm*, 113 U. S. 302; *Chase v. Curtis*, Id. 452; *Winchester v. Mabury*, 122 Cal. 522.

<sup>4</sup> 111 Pa. 328.

<sup>5</sup> Upon this last point, see, also, the cases cited under the head of *Fraud by Directors and Promoters of Companies*, *ante*, §§ 238 and 239 and *Marsh v. Kaye*, 166 N. Y. 196 and *Montgomery Traction Co. v. Harmon*, 140 Ala. 505.

Company.<sup>1</sup> That was a case in which the bill alleged that the property of the company was so heavily mortgaged that if the plaintiff should attempt to enforce payment of his debt by seizure and sale on execution, there would be no bidders at more than a nominal amount; whereas, if the property were placed in the hands of a receiver a surplus for the payment of the plaintiff's debt would result. It was held that these averments were sufficient to give the court the jurisdiction claimed, and that the facts of the case justified its exercise.

### **528. Creditors' bills of the second class; Administration suits.**

Creditors' bills of the second class—*i. e.*, those which are filed after the death of the debtor—generally result in an administration of his estate, because the executor or administrator does not generally admit assets in his answer. If, however, assets are admitted, the debt of the creditor who files the bill will be collected, but there will be no decree for the general administration of the estate. In most cases, however, there is no admission of assets, and the court then goes on to ascertain what the assets are, to get them in, and to distribute them properly among creditors, legatees, and other parties interested. When bills for getting in and distributing the estate of a decedent are filed by legatees, they are termed Administration Suits. The principles which govern the action of the court in administration suits, and in creditors' bills where no assets are admitted, are the same and may be considered together. A bill for administration may also be filed by an executor or administrator who (in England) could only obtain complete exoneration by having his accounts passed in chancery, and was, therefore, entitled to insist upon that protection.<sup>2</sup>

### **529. Not of great importance in this country.**

Bills for the administration of the estates of decedents are of much less importance, and of much less frequent occurrence, in this country than in England, as the distribution of such assets is, in most states, vested by statute in Probate or Orphans' Courts, or similar tribunals.<sup>3</sup> In some states, however, the jurisdiction

<sup>1</sup> 125 U. S. 361.

<sup>2</sup> Adams's Eq. 257. See, also, Brown v. McDonald, 1 Hill Ch. 300; Adams v. Dixon, 19 Ga. 513.

<sup>3</sup> See Board of Public Works v. Columbia College, 17 Wall. 521; Frost v. Libby, 79 Me. 56; Ward v. Wood, 32 Ill. App. 289.

of chancery by administration suits is expressly conferred upon the courts; and in some instances the equitable remedy has to be invoked in order to meet cases which cannot be properly dealt with in other tribunals.<sup>1</sup> It will, therefore, be proper to state briefly the nature of this equitable remedy, and the doctrines which are generally incidental thereto.

### 530. General course of proceeding in an administration suit.

Administration bills are usually filed by one or more creditors or legatees on behalf of all;<sup>2</sup> and the decree, on such bills, is for a general account of the debts, and for an account and application of the personal assets. If the personal estate should prove insufficient, a decree will be made against the realty.<sup>3</sup> The bill enures to the benefit of all the creditors who may come in and prove their debts under it, so as to prevent the running of the Statute of Limitations; but up to the time of the decree for an account, the suit is under the control of the creditor who has filed the bill. After the decree the case is different, as the fund is then in court, and the creditor who has filed the bill ceases to have absolute control of the suit.

Upon the filing of the executor's answer, the balance admitted therein to be in his hands is ordered to be paid into court; and, if the circumstances warrant such a course, a receiver of the

<sup>1</sup> See *Hagan v. Walker*, 14 How. 33, where a bill was filed by a creditor of a deceased debtor against the administrator, and a party who was fraudulently holding property of the deceased, which, in equity, should have been applied to the payment of his debts. See, also, *Fowler's Appeal*, 87 Pa. 454 (where the subject is exhaustively discussed); *Frey v. Demarest*, 16 N. J. Eq. 236; *Dorshheimer v. Rorback*, 23 Id. 52; *Lupton v. Lupton*, 2 Johns. Ch. 614; *Pharis v. Leachman*, 20 Ala. 662; *Ligon v. Ligon*, 105 Ala. 460; *Pratt v. Northern*, 5 Mass. 95; *Reader v. Speake*, 4 S. C. 393; *Freeland v. Dasey*, 25 Ill. 294; *Carrington v. Didier*, 8 Gratt. 260; *Sabel v. Slingluff*, 52 Md. 132; *Farrar v. Hazelden*,

9 Rich. Eq. 336; *Garner v. Lyles*, 35 Miss. 184; *Walker v. Morris*, 14 Ga. 323; *Brown v. McDonald*, 1 Hill Ch. 300; *Adams v. Dixon*, 19 Ga. 513; *Buskirk v. Peck*, 57 W. Va. 360; *Thompson v. Brown*, 4 Johns. Ch. 619; *McKay v. Green*, 3 Id. 56; *Winslow v. Leland*, 128 Ill. 304; *Alexander v. Leakin*, 72 Md. 199; *Meyer v. Garthwaite*, 92 Wis. 571; *Aull v. St. Louis Trust Co.*, 149 Mo. 1. See *Thompson v. Tappen*, 5 Johns. Ch. 518, where an injunction to restrain a suit at law was refused.

<sup>2</sup> See *Thompson v. Brown*, 4 Johns. Ch. 616; *Hasen v. Durling*, 2 N. J. Eq. 133; but see *Beverly v. Rhodes*, 86 Vt. 415.

<sup>3</sup> See *Adams's Doct. Eq.* 258.

outstanding personalty, and the rents of the real estate, will be appointed.<sup>1</sup>

It sometimes happens that several administration suits are simultaneously instituted by creditors and legatees, and that actions at law are also brought against the executor by parties having claims against the estate. After a decree has been made in one of the administration suits, all the suits will be consolidated; and restraining orders will be issued,<sup>2</sup> preventing any creditor from proceeding further in his action at law.<sup>3</sup>

When the assets have been secured, and their administration undertaken by the court, the next step is their distribution.<sup>4</sup>

For this purpose a reference is directed to a master, by whom an account of the personal estate, the testamentary expenses, and the legacies is taken, and before whom the debts must be proved. A time is fixed by advertisement, within which all claims must be presented, upon the expiration of which the master reports the claims which have been established, and the court, by its decree on further directions, authorizes a distribution of the fund among them, and protects the personal representative from any future claim.<sup>5</sup>

### 531. Equitable Assets; doctrine of comparatively little importance.

As under the equitable remedy of partnership bills, certain equitable doctrines were considered because their application was most frequent in cases of that kind; so, in treating of the subject of administration suits, it will be proper to notice one or two doctrines originally peculiar to the Court of Chancery, which are, in such suits, most frequently invoked. These are the doctrines of Equitable Assets, of Performance, and of Satisfaction.

The doctrine of Equitable Assets is one which has never been extensively applied in the United States, and has lost its im-

<sup>1</sup> *Harmon v. Wagener*, 33 S. C. 487; and the rule as to a return of *nulla bona* has no application to this class.

<sup>2</sup> It is not now necessary to file an injunction bill; an order may be obtained in the administration suit.

<sup>3</sup> See *Rhodes v. Arnsinck*, 38 Md. 345.

<sup>4</sup> *Adams's Doct. Eq.* 260.

<sup>5</sup> *Id.* 262. The above brief statement of the course of an administration suit is principally taken from *Adams*. Reference may also be had to *Williams on Executors*, 2005 (7th Eng. ed.).

portance in England in consequence of the act of 1870,<sup>1</sup> by which it is provided that simple contract and specialty creditors are, in future, payable *pari passu*, out of both legal and equitable assets.

But it is, perhaps, necessary to say a few words upon the subject of equitable assets, not only because in some states the doctrine may be, occasionally, of practical importance, but also because it furnishes an illustration of the effect which the influence of equitable principles has had upon general jurisprudence both in England and in this country.

### 532. Origin of the doctrine.

In England the real, as well as the personal, property of a decedent was originally liable for the payment of his debts. But under the influence of the Feudal system (one of the main objects of which was to transmit real estate in an unimpaired condition from the ancestor to the heir), the rule grew up that lands in the hands of the heir were not bound for the debts of the ancestor, unless there was some deed or writing under seal (called a special contract or specialty) by which the heir, as well as the ancestor, was in express terms charged or bound with the payment of the debt. In such a case the heir was liable, on the decease of his ancestor, to pay the debt or fulfil the contract, to the value of the land which had descended to him from his ancestor, but not further, and the lands so descended were termed *assets* by descent, from the French word *assez* (enough), because the heir was bound only so far as he had lands descended to him enough or sufficient to answer the debt or contract of his ancestor.<sup>2</sup> Moreover, if the heir was not expressly named in the obligation, the lands in his hands were not bound; and after the power of testamentary alienation of real estate was conferred by statute, a debtor who had bound his heir by a specialty became enabled to defeat his creditor by devising his estate to some other person than his heir, and in this case neither the heir nor the devisee was under any liability to the creditors. If, however, the ancestor, impelled by a sense of justice, devised the real estate to trustees for the payment of debts, or, what was the same thing, charged it with the payment of debts, the real estate then became trust property, and as such fell under the administration

<sup>1</sup> 52 and 53 Vict., c. 46.

whence the above statement is taken.

<sup>2</sup> See Williams on Real Prop. 75,



of the Court of Chancery. Now, it is one of the maxims of this court that "equality is equity"; and hence, when the real estate of a decedent came to be applied to the payment of his debts under the supervision of a chancellor, not only were the simple contract debts held entitled to be paid out of the fund, but they were placed upon exactly the same footing as debts by specialty, in other words, all the debts were payable *pari passu*.

By various statutes the injustice to creditors, which so long existed in the English law, was abolished, and the land of every debtor, which was not by his will charged with, or devised subject to the payment of his debts, was made assets for the payment of debts, reserving, however, to creditors by specialty, in which the heir was bound, the same priority which they originally possessed. It will be observed, however, that land expressly charged with or devised subject to the payment of debts was exempted from the operation of these statutes, and therefore still fell under the equitable maxim, already stated, that equality is equity. Hence there arose two classes of assets—first, legal assets, or those which by law (either common law or statute) were liable to the payment of debts, and in these the priority of specialty debts was preserved; and, second, equitable assets, or those which, being administered solely in the Court of Chancery were applicable to the payment of all debts of whatever description *pari passu*. This distinction has been (as already stated) finally abolished by the statute of 1870.<sup>1</sup>

### 533. *Silk v. Prime*.

Before the passage of the Statute of 1870, the doctrine of equitable assets occupied a very considerable place in the attention of English chancellors, and the cases by which the doctrine was illustrated and explained are quite numerous. In the present condition of the law, it is conceived that it will be sufficient to notice two of them only. In *Silk v. Prime*<sup>2</sup> (one of a few judgments of Lord Camden, as chancellor, which have come down to us well reported) the testator, Christopher Thomson, directed the defendants, Prime and Moxon (whom he afterwards constituted his executors), to sell his real estate or such parts thereof as should, with his personal estate, be sufficient

<sup>1</sup> A sketch of the doctrine of equitable assets will be found in Benson v. Le Roy, 5 Johns. Ch. 651.

<sup>2</sup> 1 Bro. C. C. 138, n.; 2 Lead. Cas. Eq. 111 (4th Eng. ed.).

to pay all his just debts, and to apply the money arising therefrom, together with the money arising from his personal estate, for the payment of all his just debts. It was argued that as the testator had united both funds together in the hands of his trustees and executors, both must be one consolidated fund to follow one course of administration; but the Lord Chancellor said "the answer is, that in all cases where the trustee and executor is one person the funds are consolidated in the same manner, for out of both he is to pay all his debts; but the course of administration is different, and by this very method it is that the court is enabled to pay all the debts without distinction, as far as the assets will go, and by marshalling both kinds of assets, makes them amicably combine to answer the full intention of the testator."

#### 534. *Cook v. Gregson.*

In a more modern case the doctrine of equitable assets was thoroughly considered by Vice-Chancellor Kindersley, and his opinion has been justly regarded as a most clear and learned explanation of the difference between the two kinds of assets.<sup>1</sup> "The general proposition," said that learned judge, "is clear enough that, when assets are made available in a court of law, they are legal assets; and when they can only be made available through a court of equity, they are equitable assets. This proposition does not, however, refer to the question whether the assets can be recovered by the executor in a court of law or in a court of equity. The distinction refers to the remedies of the creditor, and not to the nature of the property. The question is not whether the testator's interest was legal or equitable, but whether a creditor of the testator seeking to get paid out of such assets can obtain payment thereout from a court of law, or can only obtain it through a court of equity;" and the Vice Chancellor then went on to say that legal assets were such as the executor would have a right to recover, merely *virtute officii*, i. e., which he would have had a right to recover if the testator had merely appointed him executor, without saying anything about his property or the application thereof. Other assets are, of course, equitable assets.

It has been already observed that the doctrine of equitable assets is of little or no importance in this country as a head of chancery jurisprudence, owing to the fact that it has been

<sup>1</sup> *Cook v. Gregson*, 3 Drew. 549.

adopted and incorporated into the statute law of most of the states; in other words, that the debts of decedents are generally paid *pari passu*, subject to some few preferences which have been introduced by statute, and which vary in different states. It has, therefore, been thought sufficient to give a very general explanation of the doctrine; and to refer to the two leading cases cited above.<sup>1</sup> It may be added that the right in equity to enforce payment of a debt out of assets which are, for any reason, impressed with a trust for its payment, is one which is fully recognized by the Federal courts.<sup>2</sup>

The assets of the decedent having been got in, they are applied to the payment of the debts and legacies. The order in which assets are, as a general rule, to be applied to the payment of debts, has been attempted to be explained in a former chapter.<sup>3</sup> This order, however, together with the order in which debts are to be paid, is the subject of statutory regulation in most of the states.

### 535. Doctrine of Performance.

In applying the assets to the payment of debts and legacies certain equitable doctrines are occasionally invoked, which have not been hitherto explained and which should therefore be briefly noticed. These doctrines grow out of the general equitable principles, that equity imputes an intention to fulfil an obligation, and that equity leans against double portions; and they are known by the names of "Performance" and "Satisfaction." The doctrine of Performance is applied (first) where there is a covenant to purchase and settle land, and a purchase is made not expressed to be made in pursuance of such covenant, and no express settlement is made; and (second) where there is a covenant to *leave* property, and the covenantee receives a share under an intestacy.<sup>4</sup>

<sup>1</sup> A few of the cases which have occurred in the United States upon the general subject are *Benson v. Le Roy*, 4 Johns. Ch. 651; *Stagg v. Jackson*, 1 Comst. 206; *Torr's Estate*, 2 Rawle, 250; *Walker's Estate*, 3 Id. 229; *Agnew v. Fetterman*, 4 Pa. 56; *Hoover v. Hoover*, 5 Id. 357; *Cadbury v. Duval*, 10 Id. 267; *Baldy v. Brady*, 15 Id. 103; *Sperry's Estate*, 1 Ashm. 347; *Cornish v. Wilson*, 6 Gill, 303;

*Backhouse v. Patton*, 5 Pet. 160; *Henderson v. Burton*, 3 Ired. Ch. 259; *Helm v. Darby's Adm'rs*, 3 Dana, 185; *Cloudas's Ex'r v. Adams*, 4 Id. 603; *Speed's Ex'r v. Nelson's Ex'r*, 8 B. Mon. 499; *Bull v. Bull*, Id. 332.

<sup>2</sup> See *Borer v. Chapman*, 119 U. S. 600; *Central Trust Co. v. Continental Trust Co.*, 30 C. C. A. 234.

<sup>3</sup> *Ante*, §§ 346 *et seq.*

<sup>4</sup> *Snell's Prin. of Eq.* 193 (3d ed.).

**536. Covenant to settle, and subsequent purchase.**

Upon the first branch of this doctrine the leading authorities are *Lechmere v. The Earl of Carlisle* <sup>1</sup> and *Wilcocks v. Wilcocks*.<sup>2</sup> From these cases and from subsequent authorities it has usually been considered that the following propositions may be deduced:—

*First.* That when a person covenants to purchase and settle lands of a certain value, and afterwards purchases lands of an equal or greater value which descend to his heir, it will be deemed a performance of the covenant.

*Second.* Where the lands purchased are of less value than the lands covenanted to be purchased or conveyed and settled, they will be considered as purchased in part performance of the covenant.

*Third.* Where the covenant points to a *future* purchase of land, it cannot be presumed that lands of which the covenantor was seised at the time of the covenant, descending to his heir, were intended to be taken in part performance of it.

*Fourth.* It cannot be presumed that property of a different nature from that covenanted to be purchased by the covenantor, was intended as a performance.

*Fifth.* The absence of the required consent of the trustee of the settlement will not rebut the presumption of performance, if other circumstances are favorable.<sup>3</sup>

**537. Covenant to pay, and subsequent intestacy.**

Under the second branch (above stated) of the doctrine of Performance, the cases are usually those in which a husband covenants to pay his wife a sum of money, and then dies intestate, so that she becomes entitled under the Statute of Distributions. In such cases, if the death of the husband occurs at or before the time when the covenant should have been performed, the share of the widow will be considered as a performance *pro tanto* or *in toto*, according as it is less than or equal to the sum covenanted to be paid;<sup>4</sup> but if the death of the husband is *after*

<sup>1</sup> 3 P. Wms. 227; Cas. temp. Talbot, 80.

<sup>2</sup> 2 Vern. 558; 2 Lead. Cas. Eq. 415.

<sup>3</sup> See Snell's Principles of Equity.

188; notes to *Wilcocks v. Wilcocks*, 2 Lead. Cas. Eq. 415.

<sup>4</sup> *Blandy v. Widmore*, 1 P. Wms. 324; *Goldsmid v. Goldsmid*, 1 Swanst. 211.

a breach of the covenant has occurred, the widow's share will not be considered as a performance.<sup>1</sup>

Questions of this kind arise principally under marriage articles in England; and have received little, if any, judicial interpretation in this country.

### 538. Satisfaction ; of debts by legacies.

Where one person is under some legal or moral obligation to another, and under those circumstances makes a gift of such a nature that it operates as an exact fulfilment of the obligation, there arises a presumption that it was the intention of the donor to discharge the obligation by making the gift; in other words, the gift is presumed to be in satisfaction of the obligation, and hence this presumption, which had its origin in Courts of Chancery, has given rise to what is known in equity as the doctrine of Satisfaction.

This doctrine has been usually, and doubtless justly, supposed to have been borrowed from the civil law; but it is one which has been frequently regarded with no little disfavor, and hence the presumption upon which it is founded has been always considered liable to be rebutted by slight circumstances. The doctrine being founded on the presumed intention of the donor, evidence of his express intention is admissible; and presumptions are also drawn from surrounding circumstances, by which the supposed intention that the gift should operate as a satisfaction, may be contradicted or controlled.<sup>2</sup>

The cases in which the doctrine of satisfaction has been applied have nearly all arisen under wills; and the subject, for the purposes of convenient consideration, may be divided into the satisfaction of debts by legacies; of legacies by subsequent legacies; of legacies by portions; and of portions by legacies.<sup>3</sup>

And, first, of the satisfaction of debts by legacies. It is a general rule, both in England and in this country, that a legacy given by a debtor to his creditor, which is equal to or greater in amount than the debt, shall be presumed to be intended as a satisfaction of the debt; but it must be not only equal in amount, but equally beneficial and of the same nature exactly.<sup>4</sup> It will

<sup>1</sup> *Oliver v. Brickland*, cited in 3 Atk. 420.

<sup>2</sup> *Stocks v. Cannon*, 139 N. C. 60.

<sup>3</sup> See *Snell's Equity*, 194, whence the division in the text is taken.

<sup>4</sup> 2 *Spence's Eq.* 605.

be observed that this statement of the rule both indicates the general doctrine, and also suggests some considerations by which its application may be controlled.

Chancey's case and *Strong v. Williams* may be cited as authorities in which the general doctrine is admitted, and at the same time several of its qualifications illustrated.<sup>1</sup> In the former case a person indebted to his servant for wages, in the sum of £100, gave her a bond for that sum, and afterwards by will gave her £500 for her long and faithful services, and directed that all his debts and legacies should be paid; in the latter, the testator gave a bond to his housekeeper conditioned for the payment of \$333 within six months after his decease, and also a written promise to pay her \$20 annually; and he afterwards in his will bequeathed her a pecuniary legacy of \$300, together with furniture and other chattels valued at \$745; and he devised the residue of his estate subject to the payment of debts and legacies. In both of these cases the general doctrine of satisfaction was recognized;<sup>2</sup> but in both its application was refused; in Chancey's case, because the intention to satisfy the debt by the legacy was supposed to be rebutted by the express direction that debts *and* legacies should be paid; and in *Strong v. Williams*, not only for the reason in Chancey's case, but also because the pecuniary legacy was less than the amount of the debt, and the specific legacy was of a different *nature*. From these and from other authorities, it will be observed that the presumption of satisfaction will only arise where the amount of the legacy is equal to or greater than that of the debt; and where its *nature* is the same; but that this presumption is liable to be rebutted by any circumstances, to be gathered from the will, or from other sources, showing an *intention* on the part of the testator that a satisfaction should not take place.

Where a creditor gives a legacy to a debtor there is no independent presumption, either at law or in equity, that the legacy

<sup>1</sup> Chancey's Case, 1 P. Wms. 408; 2 Lead. Cas. Eq. (4th Eng. ed.) 380; *Strong v. Williams*, 12 Mass. 391; American note to Chancey's Case, 2 Lead. Cas. Eq. 782 (4th Am. ed.). See, also, *Wathen v. Smith*, 4 Mad. 325; *Clark v. Sewell*, 3 Atk. 96; *Dey v. Williams*, 2 Dev. & Bat. Eq. 66; *Byrne v. Byrne*, 3 S. & R. 54; *Van Riper v. Van Riper*, 2 N. J. Eq. 1; *Parker v. Coburn*, 10 Allen, 82; *Wesco's Appeal*, 52 Pa. 195; *Horner's Ex'r v. McGaughey*, 62 Id. 189.

<sup>2</sup> In Chancey's Case, while Lord Chancellor King admitted the existence of the doctrine, and declined to overturn it, he by no means approved of it.

is meant as a forgiveness of the debt; such a construction must be established by affirmative proof.<sup>1</sup>

### 539. Of legacies by legacies.

The question of the satisfaction of a legacy by a legacy may arise either when the second legacy is given by a different instrument, or when both legacies are given by the same instrument. The rules by which the question is to be determined in cases where the two legacies are given by different instruments, were stated by Mr. Justice Ashton in the leading case of *Hooley v. Hatton*, decided in 1773, to be (in substance) as follows:—

1. Where there is no internal evidence furnished by the instruments themselves, the general rules of law must be referred to.

2. Where the same specific thing is given twice, it can take place but once.

3. Where the like quantity is given twice, the legatee is entitled to both.

4. When the second legacy is of a less amount, the legatee will take both.

5. When the second legacy is of a larger amount, it is an augmentation, and the legatee will take both.<sup>2</sup>

Perhaps a still more accurate and philosophical statement of the law is to be found in *Hurst v. Beach*,<sup>3</sup> where Sir John Leach said that "where a testator leaves two testamentary instruments, and in both has given a legacy *simpliciter* <sup>4</sup> to the same person, the court, considering that he who has twice given must, *prima facie*, be intended to mean two gifts, awards to the legatee both legacies, and it is indifferent whether the second legacy is of the same amount, or less, or larger than the first; <sup>5</sup> but if in such two instruments the legacies are not given *simpliciter*, but the motive of the gift is expressed, and in both instruments the same motive is expressed, and the same sum is given, the court considers these two coincidences as raising a presumption that the testator did not by the second instrument mean a second gift, but meant only a repetition of the former gift; the court

<sup>1</sup> Story's Eq. Jurisp. § 1123; Am. note to *Chancey's Case*, 2 Lead. Cas. Eq. 828 (4th Am. ed.).

<sup>2</sup> *Hooley v. Hatton*, 1 Bro. C. C. 390, n.; 2 Lead. Cas. Eq. 346 (4th Eng. ed.).

<sup>3</sup> 5 Madd. 351–358.

<sup>4</sup> That is, with no expression of the motive of the gift.

<sup>5</sup> *Dickinson v. Overton*, 57 N. J. Eq. 26.

raises this presumption only where the double coincidence occurs of the same motive and the same sum in both instruments; it will not raise it, if in either instrument there be no motive, or a different motive expressed, although the sums be the same; nor will it raise it if the same motive be expressed in both instruments, and the sums be different." The rules upon the subject as thus stated have been expressly approved in a modern case by Sir James Bacon, V. C., whose judgment was subsequently affirmed by the Court of Appeals.<sup>1</sup>

On the other hand, where legacies of quantity in the *same* instrument are given to the same person *simpliciter*, and are of equal amount, one only will be good; nor will small differences, in the way in which the gifts are conferred, afford internal evidence that the testator intended that they should be cumulative. Thus, in *Greenwood v. Greenwood*, the testatrix gave "to her niece, Mary Cook, the wife of John Cook, £500," and afterwards, in the same will, amongst many other legacies, "to her cousin, Mary Cook, £500 for her own use and disposal, notwithstanding her coverture." It was held that Mary Cook was entitled to but one legacy of £500, and that the same was to her separate use.<sup>2</sup>

Where, however, the legacies given by the same instrument are of unequal amount, they will be considered cumulative.<sup>3</sup>

The general principles stated above have been approved in New York by Chancellor Kent;<sup>4</sup> and in other states of the Union in several decisions.<sup>5</sup>

#### 540. Of legacies by portions; of portions by legacies.

As to the satisfaction of legacies by portions, or portions by legacies, the general doctrine is that there is a presumption against double portions whenever the relation between the parties is that of parent and child, or wherever the donor stands in *loco parentis* towards the donee; but that no such presumption exists when the parties are mere strangers. The leading authority upon this subject is *Ex parte Pye*, decided by Lord Eldon

<sup>1</sup> *Wilson v. O'Leary*, L. R. 12 Eq. 525; 7 Ch. 448.

<sup>2</sup> *Greenwood v. Greenwood*, 1 Bro. C. C. 31, n.; *Snell's Principles of Equity*, 198.

<sup>3</sup> *Curry v. Pile*, 2 Bro. C. C. 225; *Snell's Prin. of Eq.* 198.

<sup>4</sup> Then Chief Justice; see *Dewitt v. Yates*, 10 Johns. 156.

<sup>5</sup> *Jones v. Creveling's Ex'rs*, 4 Harrison, 127; *Creveling's Ex'rs v. Jones*, 1 Zab. 573; *Minor v. Ferris*, 22 Conn. 371; *Dickinson v. Overton*, 57 N. J. Eq. 26.



in 1811, where the general presumption against double portions was recognized, and the exception in the case of strangers applied.<sup>1</sup> The general rule there laid down, as well as the exception upon which the case was decided, has since been recognized both in England and in this country.<sup>2</sup>

It has been thought proper to notice the general doctrines of performance and satisfaction in connection with the subject of administration suits, and suits by legatees, because such questions most frequently arise in bills of this kind. The statement of these doctrines has necessarily been an exceedingly brief one; for a more elaborate examination of the authorities would be out of place in a general treatise upon the Principles of Equity, and would more properly be found in a treatise upon Wills.

<sup>1</sup> *Ex parte Pye*, 18 Ves. 140; 2 Lead. Cas. Eq. 782 (4th Am. ed.)  
Lead. Cas. Eq. 365 (4th Eng. ed.). See, also, *In re Lacon* (*Lacon v. Lacon*).

<sup>2</sup> See notes to *Ex parte Pye*, 2 con) [1891], 2 Ch. 482.

## CHAPTER VII.

## INFANTS, IDIOTS AND LUNATICS.

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| <p>541. Protection afforded to the persons and estates of infants at common law, and by statute.</p> <p>542. Necessity for, and origin of the jurisdiction of the chancellor.</p> <p>543. Infant is made a ward of court.</p> <p>544. To be made a ward of court the infant must have property.</p> <p>545. Proceedings may be by petition as well as by bill.</p> <p>546. Appointment and removal of guardians; custody of infants.</p> <p>547. Guardianship a father's <i>duty</i>, not a <i>privilege</i>.</p> | <p>548. Education of the ward.</p> <p>549. Management of his estate.</p> <p>550. Marriage of the ward.</p> <p>551. Nature and origin of the jurisdiction of the chancellor over lunatics and idiots.</p> <p>552. Statute of Edward II.</p> <p>553. Subject generally regulated by statute in the United States.</p> <p>554. Method of procedure in lunacy.</p> <p>555. Appointment and powers of committee.</p> |
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**541. Protection afforded to the persons and estates of infants at common-law, and by statute.**

It is essential to every well-ordered social system that there should exist some judicial authority by which protection may be afforded to those who cannot protect themselves; in other words, that there should be some tribunal whose duty it is to supervise the care of the persons and estates of infants, idiots, and lunatics.

In the case of infancy, this result was partially attained at common law by the guardianships of different kinds which existed under that system of jurisprudence, and to which the care of the infant's person and the management of his estate were intrusted; while in case of a breach of the guardian's duty, either by wasting the estate of the ward, or by cruelty to his person, redress was afforded by proceedings in the criminal courts, or by an action of account at law, according to the nature of the case. The writ of *habeas corpus*, moreover, was available for the purpose of rescuing the ward from illegal custody, and restoring him to his proper guardian.<sup>1</sup>

<sup>1</sup> See *Massie v. Sneed*, 29 Ga. 51.

Additional protection to the persons and estates of infants was also afforded in England by the provisions of the statute of Charles II., by which the father of an unmarried infant was enabled to appoint a guardian by deed or will, the appointment being good against all persons claiming as guardians in socage or otherwise.<sup>1</sup> Similar statutes exist in nearly all, or perhaps *all*, of the United States; and, moreover, in most of the states of the Union, the custody of the person of the minor and the management of his estate, and all matters appertaining to the appointment, removal, or discharge of guardians, and the settlement of their accounts, are intrusted by statute to Orphans' Courts, Surrogates' Courts, Court of Probate, or other similar tribunals which have been constituted for the protection and administration of the estates of decedents.

#### 542. Necessity for, and origin of the jurisdiction of the chancellor.

Notwithstanding these common-law and statutory provisions there still existed in England a necessity for the interference of some other tribunal; for many cases necessarily arose in which a sufficient control over the guardian or a proper care of the ward's estate, could not be secured in the common-law courts; nor could those courts possibly exercise a continuous supervision over the maintenance and education of the minor, and over the conduct of the guardian. Hence, for these purposes, there has been considered to exist in England a prerogative in the Crown, as *parens patriæ*, to be exercised by the Court of Chancery, for the protection of any infant residing temporarily or permanently within its jurisdiction. And in the United States, also, although owing to the existence of special tribunals the occasions for the exercise of this head of chancery jurisdiction are not nearly so frequent as in England, cases still arise in which equitable interposition is necessary;<sup>2</sup> and not only has it been held that the power to protect the persons and estates of minors is embraced in every general legislative or constitutional grant of chancery powers,<sup>3</sup> but it has also been decided that wherever a Court of

<sup>1</sup> 12 Car. II., c. 24, § 8.

<sup>2</sup> *Aymar v. Roff*, 3 Johns. Ch. 49; *Cowls v. Cowls*, 3 Gilman, 435; *Richards v. East Tenn. Ry. Co.*, 106 Ga. 614; *Matter of Knowack*, 158 N. Y.

482; Am. note to *Eyre v. Countess of Shaftesbury*, 2 Lead. Cas. Eq. 1517 (4th Am. ed.).

<sup>3</sup> *McCord v. Ochiltree*, 8 Blatchf. 15; *Maguire v. Maguire*, 7 Dana, 181.

Chancery of general jurisdiction exists, testamentary and statutory guardians are as much under its superintendence and control, as guardians *in socage* at common law.<sup>1</sup>

While, therefore, it would be out of place to enter into an elaborate discussion upon the relation of guardian and ward, and upon the rights and duties to which that relation gives rise, it will, nevertheless, be proper to state briefly the nature of the jurisdiction of chancery upon this subject and the manner in which the court acts in thus attempting to remedy the deficiencies of the common law.

#### 543. Infant is made a ward of court.

The general theory upon which chancery assumes jurisdiction over the persons and estates of minors is that, by proper proceedings, the infant has been constituted a ward of court.<sup>2</sup> Almost every court has the authority to protect the interests of an infant party by appointing a guardian *ad litem*, whose duties will relate only to the particular subject in controversy; but the action of the Court of Chancery in constituting a minor a ward of court, has a wider scope, and extends to the general care and protection of his person and estate.

#### 544. To be made a ward of court the infant must have property.

Two points require, perhaps, to be noticed in the first instance. These are (first) that the court must, it is said, when it constitutes a minor a ward of court, have some property of the infant; and (second) that the application to the court may be by petition as well as by bill.<sup>3</sup> The first of these rules was thus stated by Lord Eldon: "It is not from any want of a jurisdiction that it (the court) does not act (where it has no property of an infant), but from a want of the means to exercise its jurisdiction, because the court cannot take upon itself the maintenance of all the children in the kingdom. It can exercise this jurisdiction use-

"The court of chancery," said Mr. Justice Nelson, in *Williamson v. Berry*, 8 How. 555, "possesses an inherent jurisdiction which extends to the care of the persons of infants so far as is necessary for their protection and education, and also to the care of their property, real and personal, for its due management and

preservation, and proper application for their maintenance."

<sup>1</sup> *Matter of Andrews*, 1 Johns. Ch. 99; *Ex parte Crumb*, 2 Id. 439; *Ricardi v. Gaboury*, 115 Tenn. 484.

<sup>2</sup> See *Williamson v. Berry*, 8 How. 531; *Ames v. Ames*, 151 Ill. 280.

<sup>3</sup> See notes to *Eyre v. Countess of*

fully and practically only where it has the means of doing so; that is to say by its having the means of applying property for the use and maintenance of the infant." <sup>1</sup> In practice, however, the operation of this rule would seem to be easily evaded. Thus, it often occurs that a bill is filed for the sole purpose of making an infant a ward of chancery; and in such a case the bill always states that the infant has property whether the fact be so or not, and that the bill is brought against the person in whose supposed power or custody the property is. <sup>2</sup> And an infant may be constituted a ward of court although all the property and the actual domicile of infant are in a foreign jurisdiction, and the infant is only temporarily within the jurisdiction of the court. <sup>3</sup>

In *Cowls v. Cowls* <sup>4</sup> the jurisdiction of the court was made available in spite of the want of property, through the medium of an order requiring the father to pay a small sum annually for the maintenance of the infants; while the language of some of the decisions would seem to place the authority of the court, in part at least, upon the simple theory of protecting the infant from cruel treatment, or from an abuse of parental authority. <sup>5</sup> The necessity, therefore, for the existence of property as a prerequisite to the exercise of the jurisdiction of the court, would seem to be more of a legal fiction than a reality; <sup>6</sup> and the idea would now seem to be wholly exploded. <sup>7</sup>

#### 545. Proceedings may be by petition as well as by bill.

In the second place, as to the manner in which a minor may be constituted a ward of court, it is not necessary that there should be any suit actually instituted or bill filed; the object

Shaftesbury, 2 Lead. Cas. Eq. 645 (4th Eng. ed.).

<sup>1</sup> *Wellesley v. The Duke of Beaufort*, 2 Russ. 21; s. c., 2 Bligh (N. s.), 128.

<sup>2</sup> *Johnstone v. Beattie*, 10 Cl. & Fin. 42; *Story's Eq. Jurisp.* § 1351.

<sup>3</sup> *Id.*

<sup>4</sup> 3 Gilman, 435.

<sup>5</sup> *Maguire v. Maguire*, 7 Dana, 181; Am. note to *Eyre v. Countess of Shaftesbury*, 3 Lead. Cas. Eq. 272 (3d Am. ed.). In *Huke v. Huke*, 44 Mo. App. 308, it was said that a minor child has no right in equity against

its father to compel him to maintain or educate it during minority.

<sup>6</sup> The authority of the Court of Chancery in England to make orders touching the custody of infants under seven years of age is much enlarged by Stat. 2 and 3 Vict., c. 54, § 1. See *Warde v. Warde*, 2 Phillips, 786; note to *Eyre v. Countess of Shaftesbury*, 2 Lead. Cas. Eq. 690 (4th Eng. ed.).

<sup>7</sup> See *In re McGrath* [1892], 2 Ch. 496, and the remarks of North, J., on p. 511.

may be attained by petition; and even an order in chambers for the maintenance of an infant, out of the income of a legacy, upon a summons taken out in her name by her guardian, has been held, without suit, to constitute the infant a ward of chancery.<sup>1</sup>

#### 546. Appointment and removal of guardians; custody of infants.

The jurisdiction of the Court of Chancery may be exercised either for the purpose of appointing a guardian where the infant has none, or for the purpose of settling conflicting claims to the guardianship, or for the purpose of removing the custody of the infant's person and the care of his property from the legal guardian, whether the guardian be by nature (as the father, for example) or by virtue of some statute; or for the purpose of restoring a minor to the custody of the parent.<sup>2</sup>

The jurisdiction of the Court of Chancery to appoint a guardian, and, if necessary for that purpose, to interfere between a father and his children, is undoubted; and has been settled by the highest authority in England, and by many cases in this country.<sup>3</sup> Thus, where the habits and mode of life of the father, or his treatment of his child, are such as to affect injuriously the child's health or morals or to endanger his property, the custody of the child will be committed to a person to act as guardian;<sup>4</sup> but mere insolvency of a father will not be a ground for taking his children from him;<sup>5</sup> and the court has refused to deprive a father, though living in adultery, of the custody of his child, where he did not bring the child in contact with the woman with whom he was so living.<sup>6</sup>

<sup>1</sup> *In re Graham*, L. R. 10 Eq. 530. See, also, 2 Lead. Cas. Eq. 681, 682 (4th Eng. ed.).

<sup>2</sup> *Matter of Knowack*, 158 N. Y. 482.

<sup>3</sup> *Wellesley v. The Duke of Beaufort*, 2 Russ. 1; 2 Bligh (N. S.), 124; *Wood v. Wood*, 5 Paige Ch. 596; *In the Matter of Wollstonecraft*, 4 Johns. Ch. 80; *Miner v. Miner*, 11 Ill. 43; *Maguire v. Maguire*, 7 Dana, 181; *Story's Eq. Jurisp.* § 1341.

<sup>4</sup> *Creuze v. Hunter*, 2 Cox, 242; *Shelley v. Westbrooke*, Jac. 266, n.; *Anon.*, 2 Sim. (N. S.) 54; *De Manne-*

*ville v. De Manneville*, 10 Ves. 62; *Warde v. Warde*, 2 Phillips, 786; *Thomas v. Roberts*, 3 De G. & Sm. 758; *Whitfield v. Hales*, 12 Ves. 492; *In re Waldron*, 13 Johns. 418; *People v. Mercein*, 8 Paige Ch. 47; 25 Wend. 64; *State v. Grigsby*, 21 Am. L. Reg. (N. S.) 805. See 2 Lead. Cas. Eq. 685, 692 (4th Eng. ed.), and 2 Id. 1506 (4th Am. ed.).

<sup>5</sup> *Kilpatrick v. Kilpatrick*, Macphers. 143; *In re Flynn*, 2 De G. & Sm. 457; 2 Lead. Cas. Eq. 686 (4th Eng. ed.).

<sup>6</sup> *Ball v. Ball*, 2 Sim. 35. See,

As in the case of a father, so *a fortiori* in the case of a testamentary guardian, will the court interfere in cases of improper conduct or character.<sup>1</sup> But it seems that, both in the case of a father and a testamentary guardian, the court will not appoint another guardian, but will simply appoint a person to *act as guardian*.<sup>2</sup>

#### 547. Guardianship a father's duty not a privilege.

The guardianship of his children is not a privilege of the father, but it is a *duty* cast upon him by considerations of public welfare. He cannot, therefore, by any contract relieve himself from the responsibility of discharging his duty; and hence, it must now be considered as settled (at all events in England) that contracts by a father to give up to his wife the custody and education of their children, are contrary to public policy, and will not be enforced in equity against the husband; and this, although the husband may have been guilty of adultery and of cruelty to his wife.<sup>3</sup> There may, however, be such cases of gross misconduct on the part of the father as will unfit him for the custody of his children.

#### 548. Education of the ward.

Supposing, now, that the court has assumed the care of the person and property of the infant, the next question for consideration is, in what particulars will the jurisdiction of the court be exercised? There are usually said to be three, viz., first, the education of the infant; second, the management of the estate; and third, the marriage of the ward.

The guardian will be allowed to regulate the mode and select the place for his ward's education, and the obedience of the ward will be enforced by the court;<sup>4</sup> and where guardians differ as to the mode of education, the court will decide.

also, *Commonwealth v. Addicks*, 5 Binn. 520, and 2 S. & R. 174; *State v. Baird*, 21 N. J. Eq. 384.

<sup>1</sup> *Duke of Beaufort v. Berty*, 1 P. Wms. 704; *Smith v. Bate*, 2 Dick. 631; 2 Lead. Cas. Eq. 692.

<sup>2</sup> *Ex parte Mountfort*, 15 Ves. 446; 2 Lead. Cas. Eq. 685, 692, 693.

<sup>3</sup> 2 Lead. Cas. Eq. 671 (4th Eng. ed.).

<sup>4</sup> In *Tremain's Case*, 1 Strange, 168,

the minor went to Oxford contrary to the orders of his guardian, who would have him go to Cambridge, and the court sent a messenger to carry him from Oxford to Cambridge; and upon the minor's return to Oxford, "there went another messenger, *tam* to carry him to Cambridge, *quam* to keep him there." See, also, 2 Lead. Cas. Eq. 694, notes (4th Eng. ed.).

In regard to matters of religious belief the court will usually respect the creed and opinions of the father, and even in England the court will not control a guardian in bringing up a child in a faith different from that of the established church, if it be the religion of the father.<sup>1</sup> Indeed, the rule has been declared to be that the father has an absolute right in his lifetime to decide what religious education his children shall receive; and it has also been authoritatively said to be equally clear that, after the death of the father, those who have the guardianship of the child are bound to see that the child is brought up in the religious faith of the father.<sup>2</sup> In a still later case, the absolute right of the father has been most emphatically recognized, even in contravention of an ante-nuptial agreement.<sup>3</sup> The subject is, however, in the discretion of the court, and the general rule may be modified by peculiar circumstances.<sup>4</sup> The welfare of the children is the paramount consideration; and the conduct of a living father may justify the court in depriving him of their custody and disregarding his wishes as to their religious education.<sup>5</sup>

In general the court will not allow its wards to be taken out of its jurisdiction; but this rule is subject to exceptions when the health of the ward or other peculiar circumstances render it necessary.<sup>6</sup>

#### 549. Management of his estate.

As to the management of the estate of the ward, it is, of course, directed for the end designed by the testator or settlor (if any) from whom the property may have been derived, and the duties of the guardian as to the care and investment of the estate are regulated very much by the general rules applicable to other trustees. Questions upon this subject, generally, have respect to the proper maintenance of the ward, and the sums which are to be appropriated for that purpose. Regard must be had to the

<sup>1</sup> *Talbot v. The Earl of Shrewsbury*, 4 My. & Cr. 672; *Hawksworth v. Hawksworth*, L. R. 6 Ch. 539; *Austin v. Austin*, 34 Beav. 257; *In re Newberry*, L. R. 1 Ch. 263.

<sup>2</sup> *In re Scanlan, Infants*, 40 Ch. D. 207. See *In re McGrath* [1892], 2 Ch. 496, where, under the circumstances, the court declined to interfere after the father's death.

<sup>3</sup> *In re Violet Nevin* [1891], 2 Ch. 299.

<sup>4</sup> See *Stourton v. Stourton*, 8 De G. M. & G. 760; *Hawksworth v. Hawksworth*, L. R. 6 Ch. 543, 544; *Andrews v. Salt*, 8 Id. 622. *In re McGrath* [1892], 2 Ch. 496.

<sup>5</sup> *In re Newton* [1896], 1 Ch. 740.

<sup>6</sup> 2 Lead. Cas. Eq. 698 (4th Eng. ed.).



condition and prospects of the ward, and to his rank in life; and while usually the income only (or a portion thereof) will be applied to his education and maintenance, the rule is not an invariable one, and in some instances the capital has been allowed to be broken in upon.<sup>1</sup>

The power of the Court of Chancery over the property of its ward extends only to the personal property, and the income of the real estate; the court having no inherent power to direct a sale of the real estate for the purposes of maintenance or education. That is a power which rests exclusively with the legislature.<sup>2</sup> In most of the United States, however, the courts which have control of the estates of minors are vested with authority to order a sale of real estate when it is necessary and proper, and for the benefit of the infant.

The court may order personal property of the infant, where it is for his benefit, to be invested in land; but the order authorizing such investment will be coupled with a declaration that the land shall be considered, during the minority, as constructively personal.<sup>3</sup>

#### 550. Marriage of the ward.

The last point upon which the court exercises its jurisdiction over wards of court is for the purpose of controlling their marriage. In the case of wards of the court, whether male or female, even when they have parents living, or guardians, it is necessary to apply to the court by petition for leave for them to marry, which will only be granted upon its appearing that the marriage is suitable, and the settlement proposed is proper; and the court will prevent, as far as it can, a clandestine marriage, by ordering that the ward shall not be married without the leave of the court, and that the person desirous of marrying the ward shall not have

<sup>1</sup> In the Matter of Bostwick, 4 Johns. Ch. 101; and see notes to Eyre v. Countess of Shaftesbury, 2 Lead. Cas. Eq. 1503, 1504, 1505. See, also, Pitts v. R. I. Hospital Trust Co., 21 R. I. 544.

<sup>2</sup> Williamson v. Berry, 8 How. 495, 531; 2 Lead. Cas. Eq. 1504 (4th Am. ed.). See, also, Rogers v. Dill, 6 Hill, 415; Rivers v. Durr, 46 Ala. 418; Kearney v. Vaughan, 50 Miss. 284; Faulkner v. Davis, 18 Gratt. 615

See, however, Bulow v. Witte, 3 S. C. (N. S.) 308; Matter of Salisbury, 3 Johns. Ch. 347; Huger v. Huger, 3 Dess. 18; Hale v. Hale, 146 Ill. 227; Gorman v. Mullins, 172 Id. 353; Baldrige v. Coffey, 184 Id. 73; Richards v. East Tenn. Ry. Co., 106 Ga. 614.

<sup>3</sup> Ashburton v. Ashburton, 6 Ves. 6; Ex parte Phillips, 19 Id. 123.

access by letter or otherwise. A person marrying a ward of court, or contriving or assisting such a marriage, without the leave of the court, will be guilty of a contempt of court, and will be punished accordingly; and it seems that ignorance of the fact that the infant is a ward of court, although it may be used in mitigation, will not acquit the party of the contempt.<sup>1</sup>

The guardianship of chancery over infants extends to the age of twenty-one. An infant, in chancery, is not entitled, as of course, on arriving at the age of fourteen, to select a new guardian.<sup>2</sup> In the case of a female ward, however, the guardianship terminates with marriage.<sup>3</sup>

### 551. Nature and origin of the jurisdiction of the chancellor over lunatics and idiots.

Having considered the jurisdiction of the chancellor over the persons and estates of infants, the next subject which most naturally demands attention, is that of the analogous equitable relief which is afforded in the case of persons *non compos mentis*.<sup>4</sup> It has been stated in a former part of this treatise,<sup>5</sup> that the jurisdiction of the English Court of Chancery, in the case of lunatics and idiots, was peculiar in this respect—viz., that it was not exercised in a regular suit, but by the chancellor personally, on petition, and that the appeal from his order is to the king in council and not to the House of Lords. This resulted from the fact that the authority of the chancellor did not exist by virtue of his office, and as a part of his general, extraordinary jurisdiction, but was derived by special authority from the sovereign in whom, as *parens patriæ*, the care of idiots and lunatics was vested. This authority of the king not only existed at common law but was also increased or affected by several statutes of an early date, which vested in him the profits of the land of an idiot, during the idiot's life, as a beneficial interest, and imposed upon

<sup>1</sup> See 2 Lead. Cas. Eq. 703.

<sup>2</sup> *In re* William Nicoll, 1 Johns. Ch. 25.

<sup>3</sup> *Mendes v. Mendes*, 1 Ves. Sr. 90; *Matter of Whitaker*, 4 Johns. Ch. 380.

<sup>4</sup> This term properly includes not only lunatics, but persons of weak and feeble understanding. Such persons may have committees appointed

by Courts of Chancery to take charge of their persons and estates by a commission in the nature of a writ *de lunatico inquirendo*. See *Matter of Barker*, 2 Johns. Ch. 234, where the subject is examined by Chancellor Kent. See, also, *Gibson v. Jeyes*, 6 Ves. 273; *Ridgeway v. Darwin*, 8 Id. 66; *Ex parte Cranmer*, 12 Id. 445.

<sup>5</sup> Introduction, *ante*, p. 47.

him the duty of keeping the lands and tenements of lunatics without waste.<sup>1</sup> In the case of a lunatic, therefore, the king was a mere trustee.

### 552. Statute of Edward II.

Before the statute *de prerogativa regis*,<sup>2</sup> the custody of the persons and lands of such idiots as were possessed of lands was in the lord of the fee, and in case the idiot had no land, he fell under the care of the king, as the general *custos* of all those who had no other guardian. By the statute just mentioned, the custody of the persons and land of idiots was taken from the lord and entrusted to the king, to whom (as already stated) a beneficial interest in the idiot's land was given. On the other hand the statute of 17 Edw. II., c. 10, as to lunatics, was a restraining statute, as it prescribed the duties of the king, and constituted him a trustee.

Before and since these statutes the king has exercised his control over the persons and estates of idiots and lunatics by delegating his authority, by sign-manual, to some great officer, usually (though not necessarily) the holder of the great seal.<sup>3</sup> The effect of the delegation of authority, under the sign-manual, was merely to give the chancellor power to grant the custody of the lunatic; but after the Court of Chancery became well established, successive holders of the great seal imported into the exercise of their special jurisdiction under the sign-manual, all the powers which they wielded as chiefs of the Court of Chancery. Hence, after the custody is granted, the great seal acts in matters relative to the lunatic, not under the sign-manual, but by virtue of its general power as keeper of the king's conscience.<sup>4</sup>

### 553. Subject generally regulated by statute in the United States.

In a few of the United States the care of the persons and estates of idiots and lunatics is entrusted to Courts of Chancery;<sup>5</sup> but even where this is the case the jurisdiction is ordinarily exer-

<sup>1</sup> Stats. 17 Edw. II., c. 9; Id., c. 10.

<sup>2</sup> Stat. 17 Edw. II., c. 9.

<sup>3</sup> See *Wigg v. Tyler*, 2 Dickens, 553.

<sup>4</sup> *Ex parte Grimstone*, Ambler, 707; *Ex parte Fitzgerald*, 2 Sch. & Lef. 438. Lord Campbell thought that the jurisdiction might be exercised by

the chancellor by virtue of his general powers, and before any grant under the sign-manual, and so exercised it in Ireland. See 1 Campbell's Lives of the Chancellors, 14.

<sup>5</sup> See *Meurer's Appeals*, 119 Pa. 130.

cised under statutory provisions, by which the court is pointed out and the method of procedure prescribed. In most of the States of the Union, however, the care of persons *non compos mentis* is confined to special tribunals, and is not made a part of equitable jurisdiction. In many cases, however, the mode of procedure has been borrowed from that which grew up under the English chancellors; and it may, therefore, be useful to give a very brief outline of that procedure.

#### 554. Method of procedure in lunacy.

The jurisdiction of the chancellor was exercised, in the first place, for the purpose of ascertaining the fact of lunacy; and, second, for the care of the lunatic and the management of his estate. The first purpose is attained by issuing a commission under the great seal in the nature of a writ *de lunatico inquirendo*; under which a jury is empanelled and sworn, the alleged lunatic and witnesses are examined, and a return thereof made into chancery. If the return untruly finds the party a lunatic, it may be traversed by himself or by any one claiming under a contract with him; if it untruly finds him of sound mind, a writ of *melius inquirendum* may be issued by the crown. If the lunatic subsequently recovers, the commission may be superseded; but for this purpose the lunatic must, in general, be personally examined and his sanity fully established.<sup>1</sup>

#### 555. Appointment and powers of committee.

If the party is found a lunatic by the return of the commission, or upon a trial under the subsequent traverse, the next duty of the court is to take care of his person and estate, and this is done by the appointment of a committee. A committee may also be appointed pending the proceedings, when such a course shall be deemed necessary by the chancellor.

The powers of a committee are exceedingly limited. He is a mere custodian of the property; and even the powers conferred upon him by statute are to be exercised under the constant supervision and sanction of the court. A due allowance is made by the court for the lunatic's maintenance;<sup>2</sup> and the gen-

<sup>1</sup> A commission may issue, even if the alleged lunatic is a non-resident, if he has real estate within the jurisdiction. *In re Devauaney*, 52 N. J.

Eq. 502. See, also, *Beall v. Stokes*, 95 Ga. 357.

<sup>2</sup> See *Equitable Trust Co. v. Garia*, 190 Pa. 544.

eral principle upon which the estate is managed is that the interest of the lunatic alone is to be looked to, without regard to that of his eventual successors.

The powers and duties of the committee of a lunatic, and the manner in which the estate is to be managed, or converted, or applied to the maintenance of the lunatic or his family, are regulated in most of the States by statutes, into the details of which it would be impossible to enter.

It may be said, however, that the "leading principle, the paramount consideration is the interest of the lunatic. Consistently with that principle it is settled that in the ordinary course of managing a lunatic's estate, the court pays no regard to the interests or expectations of those who may come after. But it is equally well settled that in matters outside the ordinary course of management, it is the duty of the court so far as may be possible not to alter the character of the lunatic's property or to interfere with any rights of succession."<sup>1</sup>

Upon the death of the lunatic the powers of the committee cease; and his duty is simply to account and hand over the property to the heir or personal representative of the lunatic, as the case may be.

<sup>1</sup> *In re Gist* [1904], 1 Ch. 411; *Attorney-General v. Marquis of Ailesbury*, 12 A. C. 688.

## CHAPTER VIII.

## DISCOVERY.

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| <p>556. Defects in common law as to discovery; statutory changes.</p> <p>557. Origin and nature of bills of discovery.</p> <p>558. Subject not of as much importance as formerly.</p> <p>559. Discovery must be in aid of legal proceedings.</p> <p>560. General right of complainant in bills of discovery.</p> <p>561. Rules for protection of defend-</p> | <p>ant; need not discover his own title, nor evidence thereof.</p> <p>562. Need not criminate himself.</p> <p>563. Confidential communications as to litigation.</p> <p>564. State secrets.</p> <p>565. In bills of discovery courts will go on and afford relief.</p> <p>566. Production of documents.</p> <p>567. Commissions to examine witnesses abroad; to take testimony <i>de bene esse</i>.</p> |
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**556. Defects in common law as to discovery; statutory changes.**

IN a common-law action the plaintiff was obliged to make out his case by calling third parties as witnesses, by compelling the production of such documents material to the issue as were in the custody or under the control of third parties, and by producing, himself, such documents as were in his own possession, and whose execution could be properly proved. No means, however, existed by which the opposite party could be compelled to testify as to the matters in dispute, or by which the production of documents in his possession could be enforced. In modern times this rule has in England and in nearly all of the United States been altered by statute, and a party to a common-law action can now put his adversary upon the witness-stand without being concluded by his testimony, and without being subject to the rule which forbids leading questions,—in other words, he can call and *cross-examine* the opposite party; and he can compel the production of books and papers at a reasonable period before the trial of the cause.

**557. Origin and nature of bills of discovery.**

While the common-law rule prevailed, and while the incon-

venience consequent thereon existed, a different rule grew up in courts of equity. It was part of the machinery of the Court of Chancery that a *discovery* could be compelled; in other words, the defendant in a bill in equity was obliged to answer under oath the allegations in the bill.<sup>1</sup> The production of documents could also be enforced, and an opportunity for their inspection afforded. The right of discovery was in fact one of the peculiar advantages of a complainant in equity, and was always enjoyed by him in every case in which he was entitled to come into chancery, either for the purpose of asserting an equitable title, or setting up an equitable right, or applying an equitable remedy.<sup>2</sup>

The jurisdiction of the High Court of Chancery being based upon matters of "conscience," an appeal to the defendant's conscience was one of the earliest and most natural modes of equitable relief.

But this right went still further. Many cases existed in which the plaintiff had a legal title or a legal right, or was pursuing a legal remedy, but wherein no redress could be actually obtained, simply because the plaintiff's evidence either rested in the breast of the defendant, or consisted, in whole or in part, of documents in the defendant's possession. Hence, there was a failure of justice at common law, and hence there arose the equitable remedy of bills for discovery, which was made use of simply for the purpose of assisting or supplementing the plaintiff's remedy at common law.<sup>3</sup>

Bills in equity, therefore, came to be filed not only for the purpose of discovery *and* relief, but also for the purpose of *discovery alone*; and bills of the latter description were made use of as a distinct equitable remedy, entirely outside and independent of any equitable right or title to relief.

Bills of discovery, therefore, in their technical sense, are bills which are filed for the purpose of assisting one of the parties to a common-law action; and which, seeking no independent relief themselves, aim solely at arming the complainant with the necessary and proper means for asserting or defending his right or title at law.<sup>4</sup>

<sup>1</sup> See *ante*, p. 15.

<sup>2</sup> It must, however, appear that the matters as to which discovery is sought are not open to complainant, but are necessarily within the de-

fendant's knowledge. *Bigelow v. Sanford*, 98 Mich. 658.

<sup>3</sup> Cited in *Reynolds v. Fibre Co.*, 71 N. H. 332.

<sup>4</sup> See *Kearny v. Jeffries*, 48 Miss. 357.

### 558. Subject not of as much importance as formerly.

It has been already observed that the necessity for this equitable remedy has, in modern times, been very much diminished by statutory enactments, whereby the same results are attained in common-law trials; and, hence, this particular equitable remedy no longer deserves to occupy so important a place as it formerly did in equitable jurisprudence. Nevertheless, it is proper that it should be (at least briefly) considered, partly because it has been decided in England, and in some of the states of the Union, that the chancery method of redress has not been ousted by the amendments to the common law;<sup>1</sup> and, partly, because in equity certain rules in regard to this peculiar remedy have been laid down, which are still considered applicable in common-law suits.

### 559. Discovery must be in aid of legal proceedings.

The object of discovery being that the answer of the defendant may be made use of as evidence in some judicial proceeding in which no such advantage originally existed, it necessarily follows that this equitable remedy cannot be used except for purposes connected with proceedings in legal tribunals,<sup>2</sup> and except in aid of proceedings in a court which could not, at common law,

<sup>1</sup> *Lovell v. Galloway*, 17 Beav. 1; *Senior v. Pritchard*, 16 Id. 473; *British Empire Shipping Co. v. Somerset*, 3 K. & J. 433; *Shotwell v. Smith*, 20 N. J. Eq. 70; *Virg. and Ala. Min. and Mfg. Co. v. Hale*, 93 Ala. 542. See, however, *Hall v. Joiner*, 1 S. C. (N. S.) 186; *Chapman v. Lee*, 45 Ohio, 356; *Reynolds v. Fibre Co.*, 71 N. H. 332; *Wright v. Superior Court*, 139 Cal. 469; *Hurricane Telephone Co. v. Mohler*, 51 W. Va. 1. "Although the separate proceeding by bill of discovery has not been expressly abolished in our state, under our system of courts and judicial procedure it could not well exist." *Wright v. Superior Ct.* 139 Cal. 473.

<sup>2</sup> See *Hare on Discovery*, 110. It is not necessary that the proceedings in aid of which the discovery is

sought should be against the defendant in the bill for discovery; they may be against a third party, and may be for the purpose of finding out who is the proper party to sue. See *Orr v. Diaper*, 4 Ch. D. 92, and *Hurricane Telephone Co. v. Mohler*, 51 W. Va. 1; *Brown v. McDonald*, 133 Fed. Rep. 897. Where an action at law is pending to recover on a life insurance policy shown to have been obtained under circumstances indicating fraud, and one of the defences is that the insured committed suicide by poison, which would avoid the policy by its terms, a court of equity has power in aid of such defence to order the body to be exhumed for examination. *Mutual Life Insurance Company v. Gries*, 156 Fed. Rep. 398.



itself give discovery.<sup>1</sup> Thus, a bill of discovery cannot be maintained if the object is simply to gratify the *curiosity* of the complainant, nor will such a bill be entertained in order to aid proceedings in a court which can, by its own method of procedure, attain the same result, *e. g.*, the ecclesiastical courts in England, which, as well as the Court of Chancery, had the power of enforcing discovery.<sup>2</sup> And a bill of discovery will not lie in aid of proceedings which are of a criminal and not of a civil nature.<sup>3</sup> But the circumstance that the proceedings *might* have assumed a criminal character is no objection to the discovery, if in fact the redress sought is through the medium of a civil action.<sup>4</sup>

Bills of discovery are available not only in aid of judicial proceedings in the courts of the same country, but for the purpose of assisting legal proceedings elsewhere; for such a bill has been used to obtain information in one state for the benefit of the plaintiff in a suit in another.<sup>5</sup>

#### 560. General right of complainant in bills of discovery.

The general right of the complainant in a bill of discovery is, that he is entitled to an answer from every competent defendant as to all facts material to the whole of his (the complainant's) case,<sup>6</sup> and that this answer must be distinct, complete, free from needless prolixity, and to the best of the defendant's information and belief. To dissect the general rule thus stated, and to criticise and illustrate its different branches, would belong rather to a treatise upon equitable pleading than to one which has for its subject equitable principles. It will therefore be sufficient to refer the reader to some of the works in which this rule has been particularly discussed.<sup>7</sup>

#### 561. Rules for protection of defendant; need not discover his own title, nor evidence thereof.

The general rule just stated is subject to certain qualifications

<sup>1</sup> Hare on Discovery, 119.

<sup>2</sup> *Id.*, 119.

<sup>3</sup> Lord Montague v. Dudman, 2 Ves. Sr. 397; Cartwright v. Green, 8 Id. 405; 14 Id. 64; Hare on Discovery, 110.

<sup>4</sup> Thorpe v. Macauley, 5 Madd. 135; Wilmot v. Maccabe, 4 Sim. 263; Hare on Discovery, 116.

<sup>5</sup> Post v. Toledo R. R. Co., 144 Mass. 341, where the subject is discussed.

<sup>6</sup> See Methodist Episcopal Church v. Jaques, 1 Johns. Ch. 65; Wistar v. McManes, 54 Pa. 318.

<sup>7</sup> See Story's Eq. Pleading, §§ 853 et seq.; Mitford's Pleading, 357, 365.

by which the complainant's right is, as it were, fenced about by prohibitions and restrictions which it has been found necessary to lay down in order to prevent the power of the court from being abused.<sup>1</sup>

And, first, the defendant is bound to discover those matters only which relate to the plaintiff's title, and is not compellable to discover his own title or the means by which he expects to prove it.<sup>2</sup> The reason of this rule is that experience has shown that the possible mischiefs of surprise at a trial are more than counterbalanced by the danger of perjury which must inevitably be incurred when either party is permitted, *before* a trial, to know the precise evidence against which he has to contend; and accordingly each party in a cause has thrown upon him the *onus* of supporting his own case, and meeting that of his adversary without knowing beforehand by what evidence the case of his adversary is to be established or his own opposed.<sup>3</sup>

This reasoning, however, is not to be extended too far, for the right of the plaintiff to discovery in support of *his own case* is not to be abridged as to any particular discovery by the consideration that the matter of such particular discovery may be evidence of the defendant's case *in common* with that of the plaintiff.<sup>4</sup>

Thus if a plaintiff is entitled to the production of a deed or other document as being applicable to *his* case, his right to such discovery will not be affected by the circumstance that the same document is evidence of the defendant's case also.<sup>5</sup> And so, if a defendant who is bound to keep distinct accounts for another party, *improperly* mixes them with his own, so that they cannot be severed, he must produce the whole.<sup>6</sup>

<sup>1</sup> See Wharton on Evidence, §§ 754 *et seq.*

<sup>2</sup> This rule is embodied in Sir James Wigram's third proposition, which is as follows: "The right of a plaintiff in equity to the benefit of the defendant's oath is limited to a discovery of such material facts as relate to the *plaintiff's case*, and does not extend to a discovery of the manner in which the *defendant's case* is to be exclusively established or to the evidence which relates exclusively to his case." Wigram on Discovery, 15.

<sup>3</sup> Wigram on Discovery, 263. See Kettlewell v. Barstow, L. R. 7 Ch. 686.

<sup>4</sup> Wigram on Discovery, 260. See Brown v. Wales, L. R. 15 Eq. 142.

<sup>5</sup> Burrell v. Nicholson, 1 Myl. & K. 680; Dock v. Dock, 180 Pa. 14, 22; Wigram on Discovery, 242.

<sup>6</sup> Freeman v. Fairlie, 2 Meriv. 29; Earl of Salisbury v. Cecil, 1 Cox, 277; Hare on Discovery, 245; Wigram on Discovery, 243.

**562. Need not criminate himself.**

Secondly; a defendant need not answer matters which tend to criminate himself or expose him to a penalty or forfeiture, whether the matter inquired of be the broad and simple fact of crime or penalty, or whether it be simply an incidental fact which may form a link in the chain of evidence, if any one chooses to indict him.<sup>1</sup>

But this rule has some exceptions, for it has not been invariably applied to all cases of penalties,<sup>2</sup> and it will not be available for the purpose of preventing the detection of fraud or imposition.<sup>3</sup>

**563. Confidential communications as to litigation.**

Thirdly; confidential communications, made to legal advisers or agents, with reference to a subject-matter which afterwards comes into litigation, or with reference to questions connected with that which afterwards becomes the subject-matter of litigation, are protected.<sup>4</sup>

The tendency of the modern English authorities is to give a very wide scope to this rule, and to afford protection in cases in which, under the narrower doctrine which formerly existed, the communications would not have been considered privileged. Thus, in *Lawrence v. Campbell* <sup>5</sup> (decided in 1859), Vice-Chancellor Kindersley laid down the rule that it is not now necessary, as it formerly was, for the purpose of obtaining protection, that the communications should be made either during or relating to an actual or even to an expected litigation, but that it is sufficient if they pass as professional communications in a professional capacity. And this rule was expressly approved in 1873 by Lord Chancellor Selborne, in *Minet v. Morgan*,<sup>6</sup> where not

<sup>1</sup> Adams's Doct. Eq. 2. See *Hill v. Campbell*, L. R. 10 C. P. 222, and the language of Lord Chief Justice Coleridge on p. 247.

<sup>2</sup> *King of Two Sicilies v. Wilcox*, 1 Sim. (N. S.) 301; *Skinner v. Judson*, 8 Conn. 528; *Mitford's Pleading*, 195 *et seq.* See *Reynolds v. Fibre Co.*, 71 N. H. 332, where a tortfeasor was compelled to produce fragments of machinery by which plaintiff had been injured.

<sup>3</sup> *Dummer v. Corporation of Chippenham*, 14 Ves. 256; *Lee v. Read*, 5 Beav. 381; *Skinner v. Judson*, 8 Conn. 528; *Attwood v. Coe*, 4 Sandf. Ch. 413; *Howell v. Ashmore*, 1 Stockt. 82; *Reynell v. Sprye*, 10 Beav. 51; 11 Id. 618.

<sup>4</sup> See Wharton on Evidence, §§ 576 *et seq.*

<sup>5</sup> 4 Drew. 485, 490.

<sup>6</sup> L. R. 8 Ch. App. 361.

only letters between the defendant and his family solicitors, and letters between himself and his solicitors in the cause, but also letters between the defendant's mother (through whom he claimed title) and her solicitors, with reference to questions connected with the matters in dispute, written before any litigation was in contemplation, were protected.<sup>1</sup>

So, also, a liberal interpretation was given to another branch of the rule above stated by Vice-Chancellor Stuart in *Ross v. Gibbs*,<sup>2</sup> and it was there held by that learned judge that confidential communications, made with an *unprofessional* agent, were privileged, if such communications were made in anticipation of and with reference to a litigation.

Following the same liberal view, it has been held that where witnesses are examined, or a report is made for the purpose of enabling a solicitor to give advice in regard to bringing or defending an action, the notes of the testimony taken or the reports of agents are privileged.<sup>3</sup>

The courts of this country, however, do not seem to have carried the doctrine of privileged communications to the extent which it has reached in England. Thus, in *Whiting v. Barney*,<sup>4</sup> the Court of Appeals in New York adhered to the old rule that a communication, in order to be protected, must be made during the pendency of a cause; while, in several cases, the applicability of the doctrine has been confined to disclosures made to *legal advisers* only, and has not been extended to persons of a non-professional character.<sup>5</sup> It is submitted, however, that the

<sup>1</sup> "If this question had arisen," said the Lord Chancellor, in this case, "in the days of Lord Cottenham it would have better justified the prolonged argument than at the present time. There can be no doubt that the law of the court as to this class of cases did not at once reach a broad and reasonable footing, but reached it by successive steps, founded on that respect for principle which usually leads the court aright." And the chancellor then went on to discuss the cases *seriatim*, and to point out the process by which the present doctrine of the English courts had been attained.

See, also, *Wilson v. Northampton & Banbury Junction Railway Co.*, L. R. 14 Eq. 477; *Bullock v. Corry*, 3 Q. B. D. 356; *The Southwark & Vauxhall Water Co. v. Quick*, Id. 315, and *McCorquodale v. Bell*, 1 C. P. D. 471.

<sup>2</sup> L. R. 8 Eq. 522; *Robson v. Doyle*, 191 Ill. 566.

<sup>3</sup> *Learoyd v. Halifax Joint Stock Banking Co.* [1893], 1 Ch. 686; *Collins v. London Gen. Omnibus Co.*, 68 Law Times, 831; *Davenport v. Penna. R. R.*, 166 Pa. 480.

<sup>4</sup> 30 N. Y. 330.

<sup>5</sup> See *Corps v. Robinson*, 2 Wash. C. C. 388; *Andrews v. Solomon*, Pet.

modern English rule is more consonant with principles of justice and public policy; and that the true tests to apply are these: first, was the communication made with reference to that which afterward became the subject of litigation? and, second, was the communication confidential? If both of these requisites exist, the sounder doctrine would seem to be that the disclosure should be protected.

It must be added that this privilege is the privilege of the client, not of the counsel. The client is entitled to the protection; and he alone can claim it.<sup>1</sup> Nevertheless, the privilege is one which counsel may set up, if he himself is made a defendant; and a demurrer by counsel to such a bill will be sustained.<sup>2</sup>

#### 564. State secrets.

Lastly, official persons cannot be compelled to disclose matters of state, the publication of which would be prejudicial to the interests of the community. The rule exists both at law and in equity, and in this country as well as in England. The cases, however, in which the question has arisen are very few.<sup>3</sup>

Upon similar principles of public policy a court of justice will not allow interrogatories to be exhibited for the purpose of ascertaining the names of *informers*. The evidence is excluded not for the protection of the witness or of the party, but purely on the grounds of public policy.<sup>4</sup>

It will be remembered that a *bona fide* purchaser for value without notice is protected from discovery. The reasons for this rule, and its nature and extent, have been already stated.<sup>5</sup>

C. C. 356; *Goddard v. Gardiner*, 28 Conn. 172; *Coon v. Swan*, 30 Vt. 6; *Adams's Doct. Eq.* 6, notes.

<sup>1</sup> See *Ross v. Gibbs*, L. R. 8 Eq. 524.

<sup>2</sup> *National Bank of West Grove v. Earle*, 196 Pa. 217.

<sup>3</sup> See *Smith v. East India Co.*, 1 Phillips, 50; *Rajah of Coorg v. East India Co.*, 25 L. J. Ch. 365; *Marbury v. Madison*, 1 Cranch, 144; 1 *Burr's Trial*, by Robinson, 186, 187. As to obtaining discovery from the sovereign of a foreign state, see *King of Spain v. Hallet*, 6 Clark & F. 333;

*United States v. Wagner*, L. R. 2 Ch. 582; *Republic of Peru v. Weguelin*, L. R. 20 Eq. 140; *Prioleau v. United States*, 2 Id. 659; *Republic of Costa Rica v. Erlanger*, 1 Ch. D. 171; *Wharton on Evidence*, § 604.

<sup>4</sup> See *Rex v. Akers*, 6 Esp. 125; *Att.-Gen. v. Briant*, 15 M. & W. 169; *United States v. Moses*, 4 Wash. C. C. 726; *Gray v. Pentland*, 2 S. & R. 23; *Worthington v. Scribner*, 109 Mass. 487. See, also, *Totten v. The United States*, 92 U. S. 105.

<sup>5</sup> *Ante*, § 275.

**565. In bills of discovery courts will go on and afford relief.**

Before leaving the subject of discovery it may be desirable to notice a question as to which there has been not a little embarrassment in the minds of judges and authors; and that is, whether when the jurisdiction of equity has once attached for the purpose of discovery, the court will go on for the purpose of affording relief, although the cause is not one which would ordinarily fall within the scope of a chancellor's jurisdiction. The true rule would seem to be that laid down by a learned writer in modern times,<sup>1</sup> viz., that where the bill is filed purely in aid of a legal right and for the purpose of obtaining evidence to be used in a trial at law, the jurisdiction will not extend to afford relief;<sup>2</sup> but that where the bill is based upon any breach of trust or duty, and an appeal to the defendant's conscience consequently becomes necessary, the general jurisdiction will attach.

**566. Production of documents.**

At common law no power existed in the courts to compel the production of deeds, books, and writings which were in the custody or control of one of the parties to a cause, and which were material to the right, title, or defence of the other.<sup>3</sup> Application was, consequently, made to the Court of Chancery; and the jurisdiction of the chancellor was frequently exercised for the purpose of rectifying the defect in the common law, and of compelling such production.

<sup>1</sup> Mr. Justice Redfield, in his edition of Story's Equity Jurisp., 74 a, 74 c. See, also, *Pearce v. Creswick*, 2 Hare, 285; *Kendallville Co. v. Davis & Rankin*, 40 Ill. App. 616; *Virg. & Ala. Min. & Mfg. Co. v. Hale*, 93 Ala. 542; *Black v. Bohlen*, 175 Pa. 491; *Freer v. Davis*, 52 W. Va. 1, 35. See, however, *Smith v. Smith*, 92 Va. 696.

<sup>2</sup> "As originally filed the bill was for discovery in aid of an execution. . . . As a bill for discovery for the purpose of obtaining evidence and in aid of a legal right it did not draw the whole case into equity. The jurisdiction was for discovery only,

and ended with it," by Fell, J., in *Bank v. Kern*, 193 Pa. 66. See, also, *Safford v. Ensign Mfg. Co.*, 56 C. C. A. 630.

Where a proper case for discovery is presented a bill asking both discovery and relief is maintainable; and the court having jurisdiction for the purpose of discovery will go on to give relief. But this rule cannot be abused by being employed as a mere pretext for bringing causes proper for a court of law into a court of equity. *Larkey v. Gardner*, 105 Va. 718.

<sup>3</sup> 2 Black. Com. 382; Story's Eq. Jurisp. § 1485.

This equitable remedy is, however, of scarcely any importance at the present day; as, both in England and in this country, statutes have been passed by which the authority to compel the production of documents is conferred upon the common-law courts.<sup>1</sup> The consideration of this subject may, therefore, be dismissed with the single remark that the rules which govern bills in equity for the production of documents are similar to those by which the right to discovery is regulated, and which have been already noticed.

**567. Commissions to examine witnesses abroad ; to take testimony *de bene esse*.**

The remarks just made will also apply to bills for commissions to examine witnesses abroad, and to bills to take testimony *de bene esse*. Such bills were formerly necessary in consequence of the inability of the common-law courts to accomplish the object; but this defect has long since been remedied, and the equitable remedy has fallen almost completely into disuse.<sup>2</sup>

<sup>1</sup> The jurisdiction in equity, however, still exists. *Equitable Trust Co. v. Garis*, 190 Pa. 544-549. But see, *contra*, *Ex parte Boyd*, 105 U. S.

647; *Safford v. Ensign Mfg. Co.*, 56 C. C. A. 630.

<sup>2</sup> Story's *Eq. Jurisp.* § 1514, note; *Adams's Doct. Ec.* 23

## CHAPTER IX.

## BILLS QUIA TIMET; RECEIVERS; WRITS OF NE EXEAT; AND OF SUPPLICAVIT.

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| <p>568. Bills <i>Quia Timet</i>; their general nature.</p> <p>569. Examples.</p> <p>570. Personal property limited for life with remainders over.</p> <p>571. Courts of equity will not entertain bills solely to <i>declare</i> rights.</p> <p>572. Will not interfere in certain cases of covenants.</p> <p>573. Bills to perpetuate testimony.</p> <p>574. Bills to establish wills.</p> <p>575. Bills to remove a cloud from title.</p> | <p>576. Receivers; general nature of the jurisdiction.</p> <p>577. Appointment a matter of discretion; rules under which the discretion is exercised.</p> <p>578. Cases in which a receiver will be appointed.</p> <p>579. Effect of appointment.</p> <p>580. Powers and duties of a receiver.</p> <p>581. Writs of <i>Ne Exeat</i>.</p> <p>582. Writs of <i>Supplicavit</i>.</p> <p>583. Progressive capacity of Equity Jurisprudence.</p> |
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**568. Bills *Quia Timet*; their general nature.**

BILLS *quia timet* in equity answer to the *brevia anticipantia* of common law. These writs are enumerated and explained by Coke. "And note," he says, "that there be six writs in law that may be maintained, *quia timet*, before any molestation, distress, or impleading. As (1) a man may have a writ of mesne (whereof Littleton here speaks) before he be distrained; (2) a *warrantia chartæ* before he be impleaded; (3) a *monstraverunt* before any distress or vexation; (4) an *audita querela* before any execution sued; (5) a *curia claudenda* before any fault of inclosure; and (6) a *ne injuste vexes* before any distress or molestation."<sup>1</sup> By analogy to these writs, bills in equity are sometimes entertained to guard against possible or prospective injuries, and to preserve the means by which existing rights may be protected from future or contingent violations. The principle upon which the court acts in such cases is that justice sometimes requires that a man shall not be compelled to have hanging over him, or his title, for an indefinite time, some claim or demand or liability, which, if

<sup>1</sup> Co. Litt. 100, a.



enforced, would subject him to loss; but that he is entitled to have the questions relating to his rights settled at once and forever, to have the claim against his rights immediately enforced, or to be presently made secure against any future liability.<sup>1</sup> It will be seen that relief of this sort goes one step further than the relief by injunction. Injunctions restrain a person from *continuing* an infringement upon the rights of another, and (in some cases) will *prevent* the commission of a threatening injury. But a bill *quia timet* proceeds to the extent of securing rights against an invasion, which need not be imminent or certain, but which may be only future and contingent. Looking, therefore, upon three of the equitable remedies which are noticed in the present treatise, as arranged in an ascending scale, we have, upon the lowest step, *mandatory* injunctions, correcting *past* injuries and *restoring* rights; upon the next, *prohibitory* injunctions, preventing *present* or *imminent* injuries and *preserving* rights; and upon the last, bills *quia timet*, anticipating and guarding against *future* and *contingent* injuries, and, as it were, *insuring* rights.

It is, perhaps, impossible to define the exact boundaries which circumscribe the area of the equitable remedy of bills *quia timet*, as they are not unfrequently entertained upon the peculiar circumstances of each individual case, and the instances in which the jurisdiction has been exercised are to be regarded rather as illustrations of the remedy, than as indicating the limitations of its extent.

### 569. Examples.

A few examples, however, of bills of this kind will assist in making clear the general character and scope of this equitable remedy. *Ranelagh v. Hayes*<sup>2</sup> is a case which is frequently cited as an illustration of bills of this class.<sup>3</sup> In this case the plaintiff assigned several shares of the excise in Ireland to the defendant, and the latter covenanted "to save the Lord Ranelagh harmless touching three parts of a *farm*,<sup>4</sup> assigned to Hayes," and to stand in his place touching the payments to the king and other matters. Afterward, the king sued the plaintiff for money which the defendant ought to have paid, and the former then filed his

<sup>1</sup> *Heppenstall v. Leng*, 217 Pa. 491.

<sup>2</sup> 1 Vern. 189.

<sup>3</sup> See Story's Eq. Jurisp. § 850;  
Rawle on Covenants for Title, 652.

<sup>4</sup> The Irish excise was *farmed out*  
by Charles II.

bill. The court decreed that the agreement should be specifically performed, and referred it to a master with the direction that *toties quoties* any breach should happen he should report the same especially to the court, so that the court might, if there should be occasion, direct a trial at law in a *quantum damnificatus*. The court further decreed that the assignee should clear the assignor from all these suits and encumbrances within a reasonable time. The case was compared to that of a counter-bond, where although the surety is not molested or troubled for the debt, yet after the money becomes payable the court will decree the principal to pay it.<sup>1</sup> A more modern example of the same kind of relief will be found in the case of *Hemming v. Maddick*,<sup>2</sup> where the plaintiff, who had been made a contributory in respect of certain

<sup>1</sup> But the form of decree in *Ranelaugh v. Hayes* was strongly disapproved in *Lloyd v. Dimmack*, 7 Ch. D. 401, and in *Hughes Hallett v. Indian Mammoth Gold Mines Co.*, 22 Id. 564. In the first case, Fry, J., said: "The next question is whether I can give judgment in the form asked for by the plaintiff's counsel declaring that the defendants are bound to indemnify according to the terms of the deed, and giving liberty to apply from time to time as breaches of the indemnity may occur. Now, in the first place, it will be observed that such a judgment would be highly inconvenient, because some of the leases are for long terms of years and I should be giving a judgment which would require from time to time the interference of the court over the whole residue of a term of ninety-nine years beginning in 1860. I think such a form of judgment would be highly inconvenient. In the next place, I am not aware that, with the single exception of the case of *Ranelaugh v. Hayes*, any authority can be produced for a judgment of that description. That is a case which I believe has never been actually followed. It has been cited over and over again, but the industry

and learning of the counsel of the plaintiff have not enabled them to produce a single case in which a decree has been made declaring the right to indemnify and giving liberty to apply from time to time. Therefore, upon the ground of the great inconvenience of such a judgment, and looking at the fact that no decree can be produced from the time of *Ranelaugh v. Hayes* down to the present time, and looking at the not very clear report of that case and the difficulty of ascertaining the exact circumstances, and especially what was the duration of the liability in respect of which that indemnity was declared, I feel myself bound to say that I cannot make such a declaration or give such a general liberty to apply." With due deference, however, to this opinion, it would seem that the advantages to be derived from a form of decree such as was entered in *Ranelaugh v. Hayes* are very great, and ought not to be discarded except under some very decided argument *ab inconvenienti* in a given case. It is submitted therefore, that the general rule, as stated in the text, is sound.

<sup>2</sup> L. R. 7 Ch. 395.

shares of a joint-stock company, which was being wound up under the English Companies Act of 1862, filed a bill in which he alleged that he had taken the shares under an arrangement with the defendant that he should hold them on behalf of the defendant, and deal with them as the defendant should direct, and that the defendant should indemnify him against all loss or liability which he might incur as the holder of the shares. The prayer of the bill was that the defendant might be ordered to reimburse to the plaintiff all sums of money which he had paid for calls and all costs *et cætera*, and to indemnify him against all liability in consequence of his being made a contributory. The trust having been satisfactorily established by the evidence, the plaintiff's right to the indemnity was treated as a matter of course, and a decree was made accordingly.<sup>1</sup>

Under the same principle fall cases in which decrees have been entered for the payment of annuities. Agreements to make such payments are usually enforced by appointing a receiver, but in some instances decrees have been made providing for an order directly upon the defendant. Such cases, indeed, are merely examples of the doctrine which has been so frequently referred to—namely, that relief will be afforded in all cases in which there is not a full, adequate, and complete remedy at law.<sup>2</sup>

### 570. Personal property limited for life with remainders over.

Bills *quia timet* are also frequently entertained in cases where personal property is limited for life, with remainders over, and when there is danger of loss or deterioration or injury to it in the hands of the tenant for life. In such cases a court of equity will interfere at the instance of a remainderman, and if necessary will require security to be given for the production of the property upon the termination of the life interest.<sup>3</sup>

<sup>1</sup> See further as to decrees of indemnity as illustrated by the case of sureties, *ante*, § 331, and cases cited in notes.

<sup>2</sup> See *Keenan v. Handley*, 2 De G., J. & S. 283; *Carbery v. Western*, 1 Brown Parl. Cas. 429; *Fleming v. Peterson*, 167 Ill. 470.

<sup>3</sup> See *Flight v. Cook*, 2 Ves. 619;

*James v. Scott*, 9 Ala. 579; *Emmons v. Cairns*, 2 Sandf. Ch. 369; *McDougal v. Armstrong*, 6 Humph. 157, 428; *Bowling v. Bowling*, 6 B. Mon. 31; *Cranston v. Plumb*, 54 Barb. 54; *Van Duyne v. Vreeland*, 12 N. J. Eq. 142; *McNeill v. Bradley*, 6 Jones Eq. 41. See *Dreyfus v. Peruvian Guano Co.*, 42 Ch. D. 75.

### 571. Courts of equity will not entertain bills solely to *declare* rights.

But while a court of equity will interfere for the purpose of protecting the interest of remaindermen when the property is in danger, it will not interpose merely in order to declare future rights. The Scotch tribunals pass upon such questions by "*declarator*;" but such a power has not been assumed by courts of equity, either in England or in this country.<sup>1</sup> It is true that it is a very common exercise of chancery powers to declare the effect and validity of future and contingent limitations in wills, even as to persons not *in esse*, upon bills filed by executors and trustees, asking for the direction of the court as to the disposition of the property.<sup>2</sup> But bills of this kind are entertained upon the ground that a trustee is always entitled to come into chancery for advice and assistance in the administration of the trust;<sup>3</sup> and do not, therefore, in any way, militate against the doctrine just stated, as to mere declarations of future rights.<sup>4</sup>

### 572. Will not interfere in certain cases of covenants.

Another illustration of the limitations which courts of equity have deemed proper to place upon relief of a *quia timet* character, is found in those cases in which a purchaser of land takes it subject to an encumbrance of which he is aware, and takes also a covenant from the vendor against the encumbrance. In such cases it has been held that the purchaser cannot, under such circumstances, file a bill *quia timet*, and obtain an indemnity from the vendor; the ground of these decisions being that, as

<sup>1</sup> See *Grove v. Bastard*, 2 Phillips, 621; *Langdale v. Briggs*, 39 Eng. Law and Eq. 214; 8 De G., M. & G. 391; *Cross v. De Valle*, 1 Wall. 14; *Hann v. Hann*, 58 N. J. Eq. 211; *Girard v. Philadelphia*, 7 Wall. 1 (and the remarks of the court on p. 15); *Willard's Appeal*, 65 Pa. 265, and *Morton's Estate*, 201 Id. 269.

<sup>2</sup> "A bill in equity cannot be maintained simply to establish the fact of a trust, no other relief being sought, even where its existence is denied; if, however, the supposed trustee is about to leave the jurisdiction, so that no relief could be

obtained, the court will entertain the bill and declare the trust, if proved, and retain the bill for further action." *Perry on Trusts*, § 17, citing *Baylies v. Payson*, 5 Allen, 473; *Price v. Minot*, 107 Mass. 62.

<sup>3</sup> *Ante*, p. 229; *Hill on Trustees*, 543.

<sup>4</sup> See the remarks of Mr. Justice Grier, in *Cross v. De Valle*, 1 Wall. 15, 16. As to special cases which may be submitted to the courts in England under 13 and 14 Vict., c. 35, see *Forsbrook v. Forsbrook*, L. R. 2 Eq. 799; 3 Ch. 93.

the purchaser has chosen to rest upon the covenant, a court of equity will not make a new contract for the parties.<sup>1</sup>

### 573. Bills to perpetuate testimony.

Bills to Perpetuate Testimony, and Bills to Establish Wills, are also in the nature of bills *quia timet*. The perpetuation of testimony is necessary when the complainant is not actually threatened with any disturbance of his rights, but fears that he may be disturbed at some future time when the evidence of his title may have been lost. Upon a bill being filed, in such a case, the depositions of witnesses are taken before an examiner, and a decree is then made that the depositions so taken shall remain to perpetuate the memory thereof. Bills of this description have been of very frequent occurrence in Pennsylvania, for the purpose of preserving the evidence of a re-entry upon land, conveyed on ground-rent, for non-payment of arrears of rent.

In order to maintain a bill for the perpetuation of testimony, it is necessary that the matter should be one which cannot be made the subject of present judicial investigation. If a party is in a situation actively to assert his right, either at law or in equity, he cannot maintain a bill to perpetuate the testimony, for he can obtain the same redress by proceeding at once to a substantial assertion of his title by suit at law or bill in equity. And even if a party is *not* in a condition to make himself a plaintiff, yet if an action is brought against him touching the subject-matter, he cannot file a bill for the perpetuation of testimony, and a demurrer to such a bill will be sustained, on the ground that the complainant's rights can be ascertained and settled in the suit already pending.<sup>2</sup>

### 574. Bills to establish wills.

Bills to Establish Wills proceed upon a similar principle. According to the modern principles, such a bill may be filed by a devisee in possession against an heir who has brought no action

<sup>1</sup> See *Refeld v. Woodfolk*, 22 How. 318; *Rawle on Covenants for Title*, 683, 684 (4th ed.); *Story's Eq. Jurisp.* § 850, a (11th ed.).

<sup>2</sup> See *Earl Spencer v. Peek*, L. R. 3 Eq. 415, where this point is thoroughly discussed. See, also, upon the general subject of bills to per-

petuate testimony, *Dursley v. Fitzhardinge*, 6 Ves. 251; *Duke of Dorset v. Girdler*, Prec. Ch. 531; *Angell v. Angell*, 1 Sim. & Stu. 83; *Beavan v. Carpenter*, 11 Sim. 22; *Wright v. Tatham*, 2 Id. 459; *Story's Eq. Plead.* §§ 300 *et seq.*

of ejectment, although no trusts are declared by the will, and although it is not necessary to administer the estate under the direction of the Court of Chancery.<sup>1</sup> And the same relief will also be afforded not only against an heir, but also against parties claiming under another will.<sup>2</sup>

### 575. Bills to remove a cloud from title.

Bills to remove a cloud from a title may sometimes also fall under the head of relief *quia timet*, although, as has been seen, they may occasionally be properly classed under bills for the surrender and cancellation of void instruments.<sup>3</sup> The doctrine, however, is not confined in its application simply to cases in which a void or voidable instrument is sought to be cancelled. It may be asserted in almost any case in which justice requires that the title of a party in possession should be quieted, and the evidence of that title is clear.<sup>4</sup> Generally, the test by which to determine the existence of a cloud upon the title is whether in ejectment by the grantee in the deed upon which the adverse title rests, the owner in possession would be required to offer evidence to defeat a recovery. If such evidence would be necessary, a cloud exists.<sup>5</sup> The principle upon which these bills are

<sup>1</sup> *Boyse v. Rossborough*, Kay, 71; affirmed in 3 De G., M. & G. 817; and on appeal to the House of Lords, *nom.* *Colclough v. Boyse*, 6 H. L. Cas. 1. See, also, *Fidelity Ins. Co.'s Appeal*, 99 Pa. 460; *Hall's Appeal*, 112 Id. 54, and *McClane v. McClane*, 207 Id. 465.

<sup>2</sup> *Lovett v. Lovett*, 3 K. & J. 1. *In re Tayleur*, L. R. 6 Ch. 416, was a somewhat curious application. The committee of a wealthy lunatic, who had made two wills before he was found a lunatic, asked for leave to pay out of the estate the costs of the plaintiffs and defendants in a suit to perpetuate testimony as to the two wills. The court declined to express any opinion upon the question whether or not such a bill would lie, but granted the prayer of the committee.

<sup>3</sup> See *ante*, § 474; *Dull's Appeal*, 113

Pa. 515. See, also, *Stebbens v. Perry Co.*, 167 Ill. 574, where a decree was made for the cancellation of stock illegally issued, on the ground that to allow such illegal stock to remain outstanding would be to cast a cloud upon the title of other stockholders.

<sup>4</sup> *Alexander v. Pendelton*, 8 Cranch, 462; *Mellen v. Moline Iron Works*, 131 U. S. 365; *Alsop v. Eckles*, 81 Ill. 424; *Parker v. Stevens*, 59 N. H. 203; *Corinth v. Locke*, 62 Vt. 411; *Loring v. Hildreth*, 170 Mass. 328. The evidence must be clear, for equity will not lend its aid to try conflicting titles. See *Handy v. Noonan*, 51 Miss. 166; *Phelps v. Harris*, Id. 789; *Chiles v. Gallagher*, 67 Miss. 413.

<sup>5</sup> *Sloan v. Sloan*, 25 Fla. 53; *Han. & St. Jo. Ry. Co. v. Norton*, 154 Mo. 142; *Hanesley v. Bagley*, 109 Ga. 346; *Parker v. Boutwell*, 119 Ala. 297.

based is, simply, that it is inequitable that a party in possession should be embarrassed by having hanging over him a hostile claim, which, although not actively asserted, and not of any validity, is nevertheless calculated to affect the marketability of the title. The jurisdiction of Courts of Chancery in such cases is well established.<sup>1</sup> Whether it is essential to the assertion of this equity, that the complainant should be in possession, is a question as to which there has been some variance in the decisions.<sup>2</sup> In some cases it is held that possession is indispensable, and that this fact should be averred in the bill.<sup>3</sup> In others,

<sup>1</sup> *Doe v. Doe*, 37 N. H. 268; *Tucker v. Kenniston*, 47 Id. 267; *Kimberley v. Fox*, 27 Conn. 307; *Eldridge v. Smith*, 34 Vt. 484; *Polk v. Rose*, 25 Md. 153; *Brown v. Stewart*, 56 Id. 431; *Allen v. Waldo*, 47 Mich. 516; *Shattuck v. Carson*, 2 Cal. 588; *Whillock v. Grisham*, 3 Sneed, 237; *Almony v. Hicks*, 3 Head, 39; *Holland v. Mayor of Baltimore*, 11 Md. 186; *Belknap v. Belknap*, 2 Johns. Ch. 472; *Starr v. Starr*, 1 Ohio (Ham.), 321; *Scotfield v. Lansing*, 17 Mich. 437 (a bill to restrain the collection of a tax); *Finch v. Resbridger*, 2 Vern. 390; *Story's Eq. Jur.* § 700. See, also, *Kay v. Scates*, 37 Pa. 31; *Bacon's App.*, 57 Id. 504; *Groves v. Webber*, 72 Ill. 606; *Reynolds v. Crawfordsville Bk.*, 112 U. S. 405; *Rich v. Braxton*, 158 Id. 375; *Ludington v. Elisabeth*, 34 N. J. Eq. 537; *Sanders v. Village of Yonkers*, 63 N. Y. 489; *N. Y., Ont. & Western Ry. v. Davenport*, 65 How. Pr. (N. Y.) 484; *Goodell v. Blumer*, 41 Wis. 436; *Wiard v. Brown*, 59 Cal. 194; *Jewett v. Boardman*, 181 Mo. 647; *Borie v. Satterthwaite*, 180 Pa. 542; *Shaw v. Allen*, 184 Ill. 77; *Article in 20 Am. Law Reg.* (N. S.) 561, by Henry Wade Rogers, *ante*, §§ 193 and 475. This jurisdiction in some states is provided for by statute. See § 809, Code of Alabama; *Collier v. Alexander*, 138 Ala. 245.

<sup>2</sup> In an action to quiet title to real

estate where plaintiff is out of possession and there is some other distinct head of equity jurisdiction sufficient to support the action, equity will retain the cause and grant relief by quieting title or removing a cloud. *Gutheil Co. v. Montclair*, 32 Colo. 420.

<sup>3</sup> *Frost v. Spitley*, 121 U. S. 552; *Peck v. Ayres & Lord Tie Co.*, 53 C. C. A. 551; *Gage v. Griffin*, 103 Ill. 41; *Gage v. Schmidt*, 104 Id. 106. See, also, *Haythorn v. Margerem*, 7 N. J. Eq. 324; *Kilgannon v. Jenkinson*, 51 Mich. 240; *Tarwater v. Going*, 140 Ala. 273; *Belcher v. Scruggs*, 125 Id. 336 (the possession must not have been taken, simply for the purpose of giving jurisdiction); *Crosby v. Hutchinson*, 126 Mich. 56 (to same effect); *Clem v. Meserole*, 44 Fla. 191; *Cornelison v. Foushee*, 101 Ky. 257; *Kane v. Va. Coal and Iron Co.*, 97 Va. 329; *Smith v. Thomas*, 99 Id. 86; *Steinman v. Vicars*, 99 Id. 595; *Davis v. Sloan*, 95 Mo. 552; *McDonald v. White*, 130 Ill. 493; *Robertson v. Wheeler*, 162 Id. 566; *Hoffman v. Woods*, 40 Kan. 382; *Carter v. Woolfork*, 71 Md. 283; *Textor v. Shipley*, 77 Id. 473 (see, however, *Oppenheimer v. Levi*, 96 Md. 296); *Winn v. Strickland*, 34 Fla. 610; *Snow v. Russell*, 93 Me. 362; *McMullen v. Cooper*, 125 Ga. 435. Unless the premises is vacant and unoccupied, *Glos v. Kenealy*, 220 Ill. 540; *Brownback v. Keister*, 220

the contrary has been ruled;<sup>1</sup> and this seems to be the better doctrine, especially where the bill is filed by a remainderman during the continuance of the particular estate.<sup>2</sup>

And a bill has been entertained on the part of a vendor who has parted with both title and possession, inasmuch as his obligation under his warranty entitles him to a standing.<sup>3</sup>

This jurisdiction, however, will not be exercised unless some equity is apparent, or a cloud would otherwise exist against the title of the complainant. If no such equity is shown, or no such injury is likely to ensue, the relief will be refused.<sup>4</sup>

### 576. Receivers; general nature of the jurisdiction.

Another of those equitable remedies which have for their object the *prevention*, rather than the *redress*, of injuries is found in the relief given by Courts of Chancery by means of the appointment of receivers. The appointment of receivers has, indeed, in many treatises, been classed under the head of the *quia timet* jurisdiction of chancery, and in a certain sense this classification is correct; but, perhaps, it would be still more accurate to say that the relief afforded by the appointment of receivers is one of several phases which the *preventive* jurisdiction of the Court

Ill. 544; *Mackey v. Maxin*, 63 W. Va. 14; *Austin v. Minor*, 107 Va. 101; *Tax Title Co. v. Denoon*, 107 Va. 201; *Delaney v. O'Donnell*, 234 Ill. 109; *Miller v. Ahrens*, 150 Fed. Rep. 644.

<sup>1</sup> *Thompson v. Lynch*, 29 Cal. 189; *Almony v. Hicks*, 3 Head, 39; *Jones v. Nixon*, 102 Tenn. 95; *Lyon v. Gombert*, 63 Neb. 630; *Packard v. Beaver Valley Co.*, 96 Ky. 249; *Phillips v. Kesterson*, 154 Ill. 572; *Coleman v. Jagers*, 12 Idaho, 125; *Lees v. Wetmore*, 58 Ia. 170; *Brusie v. Gates*, 80 Cal. 462; *Edsell v. Nevins*, 80 Mich. 146; *Walet v. Haskins*, 68 Tex. 418 (a case where laches barred relief); *Sage v. Winona & St. Peter R. R. Co.*, 19 U. S. App. 1; *Baumgardner v. Fowler*, 82 Md. 631 (a case of wild and uncultivated land). Where removal of cloud from title is merely incidental to the pri-

mary relief sought, or the plaintiff has no remedy at law, neither legal title nor possession is necessary to maintain his suit. *Swick v. Reese*, 62 W. Va. 557.

<sup>2</sup> *Aiken v. Suttle*, 4 Lea (Tenn.), 103; *Gandy v. Fortner*, 119 Ala. 303; *Wiley v. Bird*, 108 Tenn. 168; *Worthington v. Miller*, 134 Ala. 420.

<sup>3</sup> *Jones v. Nixon*, 102 Tenn. 95.

<sup>4</sup> See *Eckman v. Eckman*, 55 Pa. 269; *Haines' Appeal*, 73 Id. 169. See, also, *Orton v. Smith*, 18 How. 263; *Munson v. Munson*, 28 Conn. 582; *Gamble v. Loop*, 14 Wis. 465; *Moore v. Cord*, Id. 213; *Farnham v. Campbell*, 34 N. Y. 480; *Wells v. Buffalo*, 80 Id. 253; *Lehman v. Roberts*, 86 Id. 232; *King v. Townshend*, 141 N. Y. 358; *Browning v. Lavender*, 104 N. C. 69; *Charman v. Charman*, 17 Haw. 171. But see *Dederer v. Voorhies*, 81 N. Y. 153.



of Chancery assumes, and that it is analogous to, rather than identical with, the relief which is granted in bills which are technically *quia timet*.

The general subject of receivers is one which has assumed not a little importance during the past few years; and the necessity for such a preventive remedy has not only led to the frequent interposition of Courts of Chancery, but has also induced legislation in very many states of the Union, by which the same object is attained through the medium of statutory forms. Even, however, in those states where such statutes exist, the principles of the Court of Chancery in relation to receivers are looked to for guidance; and, hence, it will be proper to give an outline (which must necessarily be a brief one) of these principles, and a few illustrations of the manner in which they are applied.

A receiver is an indifferent person between the parties appointed by the court to collect and receive the rents, issues, and profits of land, or the produce of personal estate, or other things which it does not seem reasonable to the court that either party should do; or where a party is incompetent to do so, as in the case of an infant.<sup>1</sup> The remedy of the appointment of a receiver is one of the very oldest in the Court of Chancery;<sup>2</sup> it has been assumed for the advancement of justice; it is eminently a *protective* measure,<sup>3</sup> and is founded on the inadequacy of the remedy to be obtained in the courts of ordinary jurisdiction.<sup>4</sup>

### **577. Appointment a matter of discretion; rule under which the discretion is exercised.**

As a general rule, the appointment of a receiver is a matter which rests in the discretion of the court;<sup>5</sup> but this discretion

<sup>1</sup> Dan. Ch. Prac. 1552; Kerr on Receivers, 2 (2d Am. ed.). See, also, *Booth v. Clark*, 17 How. 331; *Lottimer v. Lord*, 4 E. D. Smith, 183; *Libby v. Rosekrans*, 55 Barb. 202; *Baker v. Backus*, 32 Ill. 79; *Beverley v. Brooke*, 4 Gratt. 208.

<sup>2</sup> *Per* Vice-Chancellor Sir G. M. Giffard, in *Hopkins v. Canal Proprietors*, L. R. 6 Eq. 447. See, also, 1 *Spence's Eq.* 673, note f; and *Id.* 378.

<sup>3</sup> *McMahon v. North Kent Iron-works Co.* [1891], 2 Ch. 148, where

it was held that a mortgagee may be entitled to a receiver in order to preserve the property, although there has been no default either in principal or interest in payment of his debts.

<sup>4</sup> Kerr on Receivers, 1.

<sup>5</sup> *Owen v. Homan*, 4 H. L. Cas. 1032; Kerr on Receivers, 3 (2d Am. ed.), and notes. The court may appoint a receiver of its own motion. *Elk Fork Oil & Gas Co. v. Foster*, 39 C. C. A. 618.

is sometimes the subject of error;<sup>1</sup> and is always exercised under certain well-established rules. These rules were stated in *Blondheim v. Moore* (a leading authority in this country) to be (1) that the power of appointment is a delicate one, and is to be exercised with great circumspection; (2) that it must appear that the claimant has a title to the property, and the court must be satisfied by affidavit that a receiver is necessary to preserve the property; (3) that the court never appoints a receiver merely because the measure can do no harm; (4) that fraud or imminent danger, if the intermediate possession should not be taken by the court, must be clearly proved; and (5) that unless the necessity be of the most stringent character, the court will not appoint a receiver until the defendant is first heard in response to the application.<sup>2</sup>

The conduct of the party who applies for a receiver is also the subject of scrutiny, and unless that conduct is free from blame a receiver will be refused.<sup>3</sup> Moreover, parties who have acquiesced in property being enjoyed against their own alleged rights cannot come into the court for a receiver.<sup>4</sup>

### 578. Cases in which a receiver will be appointed.

The cases in which a receiver may be appointed are numerous. Thus, the appointment may be made either because of the incapacity of the holder of the legal title; or because of the untrustworthiness of such holder; or because of disputes between legal owners; or because equitable rights might be endangered by leaving the property in the hands of the holder of the legal title; or because the rights of remaindermen or reversioners might be endangered.

Of the first head the case of infants is an example. The court

<sup>1</sup> See *Milwaukee Railroad Co. v. Soutter*, 2 Wall. 521, where an order of the Circuit Court refusing to discharge a receiver was, under the circumstances, held to be error, and was reversed in the Supreme Court.

<sup>2</sup> *Blondheim v. Moore*, 11 Md. 364. See, also, *Voshell v. Hynson*, 26 Id. 83; *Tomlinson v. Ward*, 2 Conn. 391; *Orphan Asylum v. McCartee*, Hopkins, 429; *Mays v. Rose*, 1 Freem. Ch. 703; *Ladd v. Harvey*, 1 Foster, 514; *Maynard v. Railey*, 2 Nev. 313;

*Crawford v. Ross*, 39 Ga. 44; *Whitworth v. Whyddon*, 2 Mac. & G. 55; *Evans v. Coventry*, 5 De. G., M. & G. 917; *Cupit v. Jackson*, 13 Price, 734; *Kerr on Receivers*, 10 (2d Am. ed.). In *Tuttle v. Blow*, 176 Mo. 158, a receiver was appointed without notice—the emergency being such as to justify the action.

<sup>3</sup> See *Baxter v. West*, 28 L. J. Ch. 169.

<sup>4</sup> See *Tibbals v. Sargent*, 14 N. J. Eq. 449.

will interfere for the protection of infants; and will protect their estate even as against the legal guardian.<sup>1</sup>

Of the second head, illustrations will be found in those cases in which property is taken out of the hands of executors or trustees, and placed in the custody of receivers. In such cases the court will not act upon slight grounds, but upon a proper case being made out, as where misconduct, waste, or improper disposition of trust assets can be shown, there is a case for a receiver.<sup>2</sup>

Again; receivers may be appointed because of disputes between holders of legal titles, whether the dispute is as to who is really the holder of the legal title, or as to which of two legal holders shall be entitled to the custody of the property. Thus, where there is a dispute as to the right of probate or of administration, a receiver will, in a proper case, be appointed.<sup>3</sup> It must, however, be remembered that such appointments are only made in obedience to the general rules already stated; and that the court will not interfere unless there is proof that the legal title is in danger of being abused.<sup>4</sup>

An illustration of the necessity for the appointment of a receiver, as between two holders of the legal title, occurs in the case of partners. Where there is a violation of partnership rights, by which an improper or fraudulent disposition of partnership property may be effected, a receiver will be appointed; but the jurisdiction in such cases is an extremely delicate one, and should not be exercised except in such cases of misconduct as would justify a decree for a dissolution; and even where a dissolution is contemplated by the decree and there is a disagree-

<sup>1</sup> *Butler v. Freeman*, Amb. 303; *Duke of Beaufort v. Berty*, 1 P. Wms. 704; *Rice v. Tonnele*, 4 Sandf. Ch. 568; *Kerr on Receivers*, 16 (2d Am. ed.).

<sup>2</sup> *Beverley v. Brooke*, 4 Gratt. 208; *Liddell's Ex'rs v. Starr*, 19 N. J. Eq. 163; *Anon.*, 12 Ves. 4; *Evans v. Coventry*, 5 De G., M. & G. 918; *Kerr on Receivers*, 18 *et seq.* (2d Am. ed.).

<sup>3</sup> *King v. King*, 6 Ves. 172; *Devey v. Thornton*, 9 Hare, 229; *Hitchen v. Birks*, L. R. 10 Eq. 471; *Rutherford v. Douglass*, 1 Sm. & Stu. 111, n.; *Ball v. Oliver*, 2 V. & B. 96; *Rachel*

*Colvin's Case*, 5 Md. Ch. Dec. 279. See, also, *Jasper Land Co. v. Wallis et al.*, 123 Ala. 652, a conflict between rival corporation boards.

The fact that the directors of a corporation in office are holding over after the year for which they were elected, in default of an election of their successors, constitutes no ground for the appointment of a receiver of said corporation. *Alabama Coal Co. v. Shackelford*, 137 Ala. 224.

<sup>4</sup> *Devey v. Thornton*, 9 Hare, 229; *Hitchen v. Birks*, L. R. 10 Eq. 471; *Schlecht's Appeal*, 60 Pa. 172.

ment among the partners, it is not in all cases proper to appoint a receiver<sup>1</sup>.

Receivers will be appointed when equitable rights are in danger of being injured by a holder of the legal title. Thus a receiver may be appointed on the application of an equitable mortgagee, in a foreclosure suit or other suit for enforcing his security against the mortgagor in possession having the legal estate.<sup>2</sup> And so, also, in carrying out equitable remedies, it is sometimes necessary to appoint a receiver; as (for example) in the case of creditors' bills, or other means by which the rights of judgment creditors, against property which cannot be reached at law, are sought to be enforced.<sup>3</sup>

The holder of an estate in remainder may also apply for a receiver in consequence of the misconduct of the holder of the particular estate.<sup>4</sup>

Other cases in which receivers are appointed and which fall within the general principles already stated, are those between debtor and creditor,<sup>5</sup> between mortgagor and mortgagee,<sup>6</sup> in the case of corporations;<sup>7</sup> between vendor and purchaser;<sup>8</sup> between covenantor and covenantee;<sup>9</sup> in cases of bankruptcy;<sup>10</sup> in cases of lunacy;<sup>11</sup> of tenants in common;<sup>12</sup> and in the case of parties in possession of real estate under a legal title.<sup>13</sup>

Of the above cases, by far the most important class is that of corporations. The extent to which Courts of Chancery, by

<sup>1</sup> Slemmer's Appeal, 58 Pa. 168. See, upon the subject of the appointment of receivers in partnership cases, *Gowan v. Jeffries*, 2 Ashm. 304; *Holden v. McMakin*, 1 Pars. Eq. Cas. 270; *Williamson v. Wilson*, 1 Bland, 418; *Randall v. Morrell*, 17 N. J. Eq. 346; *Sloan v. Moore*, 37 Pa. 217; *Morey v. Grant*, 48 Mich. 326; *Barnes v. Jones*, 91 Ind. 161; *Kerr on Receivers*, 90 (2d Am. ed.); *Jones v. Weir*, 217 Pa. 321.

<sup>2</sup> *Reid v. Middleton*, T. & R. 225; *Kerr on Receivers*, 53 (2d Am. ed.). See, also, *Mead v. Burk*, 156 Ind. 577.

<sup>3</sup> See *Osborn v. Heyer*, 2 Paige Ch. 342; *Freeman v. Stewart*, 119 Ala. 158; *Barber v. The International Co. of Mexico*, 73 Conn. 587; *Kerr on Receivers*, 55-65 (2d Am. ed.).

<sup>4</sup> *Kerr on Receivers*, 89 (2d Am. ed.).

<sup>5</sup> *Id.* 55-65.

<sup>6</sup> *Kountze v. Hotel Co.*, 107 U. S. 378; *Am. Nat. Bank v. Northwestern Life Ins. Co.*, 32 C. C. A. 277.

<sup>7</sup> *Kerr on Receivers*, 66-80. It was said in a California case (*Murray v. Superior Court*, 129 Cal. 628) that a court of equity has no inherent power to appoint a receiver of an insolvent corporation merely because of its insolvency or to wind up its affairs in the absence of a statutory provision, *sed quare*.

<sup>8</sup> *Id.* 81-87.

<sup>9</sup> *Id.* 87-89.

<sup>10</sup> *Id.* 110, 113.

<sup>11</sup> *Id.* 113.

<sup>12</sup> *Id.* 114, 120.

<sup>13</sup> *Id.* 120-127.

virtue of their general equity powers, go in appointing receivers of corporations, has, of late years, very much increased, particularly in this country.

Receivers are now appointed, not only where the dissolution of a company is contemplated, but also where the object is to relieve the corporation, temporarily, from the pressure of current obligations in order that its business may be thereafter continued. Railroad and other corporations are now placed under the protection of a receivership, not only as a means whereby (for example) bondholders, secured by a mortgage, may avail themselves of the corporate receipts in order to meet the interest on, or principal of, their debts, and as a step in a foreclosure bill, but also, in not a few cases, where there has been no default upon the interest on bonded obligations, but simply an inability to meet ordinary and unsecured debts. This is done in times of financial disturbance, when collections are difficult and when money cannot readily be had; and the assistance of a court of equity is sought, not by hostile creditors with the view of winding-up the company, but by friendly creditors with the assent of the corporation itself, and in order that its assets may not be sacrificed by executions, and so that its value as a going concern may be preserved. The equity upon which the jurisdiction of the court is based, in such cases, is plainly different from that upon which it rests in ordinary cases of receivership mentioned above; and the exercise of this power by Courts of Chancery is a striking illustration of the progress which is being made (one might almost say) day by day in this branch of the law.

What limits are to be placed upon this exercise of chancery powers, and whether and to what extent the jurisdiction in question is to be exercised in favor of ordinary partnerships and of individuals, as well as on behalf of corporations and joint-stock associations, are questions of great importance, and which have not (it is believed) been settled by courts of last resort. The whole subjects of receiverships, under the modern practice, has been, however, thoroughly discussed in more than one treatise of recent publication; and for a detailed examination of such questions as are here suggested reference must be had to those works.<sup>1</sup>

<sup>1</sup> High on Receivers; Beach on Receivers. See *McMahon v. North Kent Iron Works Co.* [1891], 2 Ch.

A court of equity will not appoint a receiver simply on the ground of public convenience, or because there happens to be no other means of collecting or taking care of a fund. Thus, when the proper officers of a county have levied a tax, but no one will act as collector, this gives the court no jurisdiction to fill that office or appoint a receiver.<sup>1</sup>

### 579. Effect of appointment.

A receiver is an officer of the court, and his possession is that of the court.<sup>2</sup> The effect of his appointment is to remove the parties to the suit from the possession of the property; but at the same time, the *right* to the property is in no way affected by such appointment, and the receiver merely holds the property as a custodian, and for the benefit of him who may be ultimately entitled to it.<sup>3</sup> The appointment works no change in the *title*.<sup>4</sup> The possession of the receiver will be protected from interference by third persons; and the court will not permit this possession to be disturbed even by judicial process.<sup>5</sup>

### 580. Powers and duties of a receiver.

A receiver is, as a general rule, a mere custodian, and has no powers except those expressly conferred upon him by the order of his appointment, or by special directions of the court from time to time. If he acts on a void order, he is deemed to be simply the agent of the owner.<sup>6</sup> His general duty may be said to be to take possession of the estate in the room and place of the owner thereof; and, under the supervision of the court, to

148, note 3, p. 779, *ante*, where the *preservation of the company's property* was the ground for the receivership. But *there* the company was being wound up. It may be noted that in *Whitney v. Bank*, 71 Miss. 1009, it was held that a bank cannot have a receiver appointed on the application of its own officers. Reference may be had, also, to *Meyer v. Johnston*, 53 Ala. 237; *Raht v. Attrill*, 106 N. Y. 423; *Farmers' L. & T. Co. v. Grape Creek Coal Co.*, 50 Fed. Rep. 481; *Fidelity Co. v. Roanoke Co.*, 68 Id. 623; *Ellis v. Water Co.*, 86 Tex. 109.

<sup>1</sup> *Thompson v. Allen Co.*, 115 U. S. 550; *Grand Rapids Furniture Co. v.*

*Trustees of School District*, 102 Ky. 556.

<sup>2</sup> *Hits v. Jenks*, 185 U. S. 166. A purchaser *pendente lite* comes in at his peril. *Id.*

<sup>3</sup> *Chicago Union Bank v. Kansas City Bank*, 136 U. S. 223, 236; *Quincy, Missouri and Pacific R. Co. v. Humphreys*, 145 Id. 97; *Graham v. Mutual Aid Soc.*, 161 Mass. 357; *Read v. Brayton*, 143 N. Y. 342; *Felton v. Ackerman*, 22 U. S. App. 154.

<sup>4</sup> *Dayton Hydraulic Co. v. Felsenthal*, 54 C. C. A. 537.

<sup>5</sup> *Kerr on Receivers*, Chap. VI. (2d Am. ed.).

<sup>6</sup> *Tex. & Pac. R. R. Co. v. Gay*, 86 Tex. 571.

manage the property so as to preserve the same, and (if possible) to make it profitable for those who may ultimately be declared the owners thereof. The powers of a receiver are limited.<sup>1</sup> All his actions are under the immediate control of the court; and in order to a safe custody of the estate, he must constantly apply to the court for its advice and sanction.<sup>2</sup>

### 581. Writs of *Ne Exeat*.

The writ of *Ne Exeat Regno* is an equitable remedy in the nature of bail at common law. It was at first a high prerogative writ, and is supposed to have been introduced originally sometime between the reign of John and that of Edward I.; and it was issued only when the government deemed it expedient, as a matter of state policy, to restrain some one from departing from the kingdom.<sup>3</sup> As early as the reign of Queen Elizabeth, however, the practice grew up of using the writ as a purely civil remedy, and for the purpose of enforcing equitable rights. This is the only use which is made of it in this country, where it is treated, not as a prerogative writ, but as an ordinary process, which issues as of right in cases in which it is properly grantable. This remedy has accordingly been made use of in many states from the early colonial periods down to the present time;<sup>4</sup> and in some states the jurisdiction to issue such writs is expressly conferred by statute.<sup>5</sup>

<sup>1</sup> See *Whitley v. Challis* [1892], 1 Ch. 64, where the court refused to allow the powers of a receiver of mortgaged property to be supplemented by those of a *manager* (as he is called under the English practice), the mortgage not having included the business.

<sup>2</sup> Kerr on Receivers, Chap. VII. (2d Am. ed.).

<sup>3</sup> The object was to prevent a subject from going to the King's enemies. *Bernal v. The Marquis of Donegal*, 11 Ves. 46. See further as to the origin of the writ, Beames on *Ne Exeat*, 9-11; 1 Hovenden's Notes, 457; note to *De Carriere v. De Calonne*, 4 Ves. 577.

<sup>4</sup> Story's Eq. Jurisp. § 1469. See *Jackson v. Petrie*, 10 Ves. 164.

<sup>5</sup> See Rawle's Essay on Equity in Pennsylvania, 40 *et seq.*; and the Registrar's Book of Keith's Court of Chancery, in the Appendix. See, also, *Rice v. Hale*, 5 Cush. 242; *Samuel v. Wiley*, 50 N. H. 353; *Porter v. Spencer*, 2 Johns. Ch. 169; *Mathocks v. Tremain*, 3 Id. 75; *Woodward v. Schalsell*, Id. 412; *Gilbert v. Colt*, 1 Hopk. 479; *Bushnell v. Bushnell*, 15 Barb. 399; *Breck v. Smith*, 54 Id. 212; *Dransfield v. Dransfield*, 6 Phila. 143; *Loewenstein v. Biernbaum*, 8 W. N. C. 163; *MacDonough v. Gaynor*, 18 N. J. Eq. 249; *Dean v. Smith*, 23 Wis. 483; *Dan. Ch. Prac.* (by Perkins) 1800.

<sup>6</sup> See *ante*, Introduction, pp. 23, 24 *et seq.*

The remedy is of a very useful character, and sometimes of great practical importance. Thus (to take a modern case by way of illustration), in *MacDonough v. Gaynor*,<sup>1</sup> the complainants and defendants were engaged in partnership in New Jersey, in the construction of a railroad, and a bill was filed for an account. The defendants resided in Pennsylvania; and it was shown by affidavit that they were only temporarily in New Jersey, and intended returning to the former state in a very short time.<sup>2</sup> Upon this state of facts, the writ of *ne exeat* was issued, the defendants to be released upon giving bond to answer and abide the decree of the court.

From the authorities upon the subject of writs of *ne exeat*, both in England and in this country, it has been considered that as a general rule the writ will be issued only in the case of equitable debts and claims,<sup>3</sup> but that to this rule there are two exceptions, viz., first, in the case of alimony decreed to a wife, which will be enforced against her husband by a writ of *ne exeat* if he is about to quit the state;<sup>4</sup> and, second, in certain cases of account,<sup>5</sup> which are, however, after all, of equitable cognizance, and, therefore, do not properly constitute an exception to the general rule.<sup>6</sup>

### 582. Writs of *Supplicavit*.

The writ of *Supplicavit* was a writ in the nature of process at common law to find sureties of the peace. "It was granted," says Lord Chief Baron Gilbert, "upon complaint and oath made of the party, where any suitor of the court is abused and stands

<sup>1</sup> 18 N. J. Eq. 249. For a still later case see *Griswold v. Hazard*, 141 U. S. 260, stated *ante*, p. 293.

<sup>2</sup> It is sufficient if the affidavit allege that the defendant is going abroad and that the debt will be in danger, without averring that the purpose of going abroad is to avoid the demand. *Tomlinson v. Harrison*, 8 Ves. 32.

<sup>3</sup> *Seymour v. Hazard*, 1 Johns. Ch. 1; *Smedberg v. Mark*, 6 Id. 138; *Moore v. Valda*, 151 Mass. 363.

<sup>4</sup> *Denton v. Denton*, 1 Johns. Ch. 364, 441; *Bronk v. State*, 43 Fla. 461.

<sup>5</sup> See 1 *Hov. Notes to Ves. Jr.* 458;

note to *De Carriere v. De Calonne*, 4 Ves. 577.

<sup>6</sup> The application for the writ must be supported by affidavit, which must be as positive as to the equitable debt, as an affidavit of a legal debt to hold to bail. *Jackson v. Petrie*, 10 Ves. 164; *Thorne v. Haleey*, 7 Johns. Ch. 189. An averment on information and belief is insufficient, except in the single case of matters of pure account,—as in the case of partners and executors. *Id.*; *Rico v. Gaultier*, 3 Atk. 501. The writ must be asked for with the utmost promptness, otherwise it will be refused. *Jackson v. Petrie* (*supra*).



in danger of his life, or is threatened with death by another suitor." <sup>1</sup>

This writ has gone almost completely out of use, as the same end is now fully attained by proceedings at common law, by which security for breach of the peace is exacted. No case in which this writ has been granted appears to exist in the United States. Chancellor Kent, in *Codd v. Codd*,<sup>2</sup> refused the writ, and doubted whether it ought now to be granted in chancery as the remedy in law is complete; and although it is said by Mr. Justice Story, in his Commentaries on Equity Jurisprudence, that "it is difficult upon the authorities to maintain the doubt,"<sup>3</sup> yet the opinion of Chancellor Kent seems to have been adopted in a modern case by the Supreme Court of Massachusetts. The case referred to is *Adams v. Adams*,<sup>4</sup> decided in 1868, where a married woman applied for the writ of *supplicavit* in order to obtain maintenance from her husband, by whom (it was alleged) she was cruelly treated. The application was refused, partly on the ground that a decree for alimony was only incidental to the relief afforded by a writ of *supplicavit*, and could not therefore be made the main object of the writ, and partly, also, because the complainant had a complete remedy at law.<sup>5</sup>

### 583. Progressive capacity of Equity Jurisprudence.

The fact that the writ of *supplicavit* has fallen into disuse is an illustration of the truth of the progressive capacity of equity jurisprudence. The principles of equity had their origin, as we have seen, in the inability of the common-law courts to afford redress in all cases of wrong. In not a few instances this inability had passed away; and while, in such cases, the jurisdiction of Courts of Chancery has sometimes been maintained, it has sometimes ceased with the occasion for its exercise. The dead limbs (so to speak) have fallen to the ground; and the vitality of the system has been shown by its ability to discard doctrines which

<sup>1</sup> Gilbert's *Forum Rom.* 202, 203. See *Colman v. Sarrel*, 1 Ves. Jr. 50, for an instance in which the writ was granted.

<sup>2</sup> 2 Johns. Ch. 141.

<sup>3</sup> Story's *Eq. Jurisp.* § 1476, note.

<sup>4</sup> 100 Mass. 265.

<sup>5</sup> One of the grounds of the application in this case was that the com-

plainant had conscientious scruples against instituting proceedings in divorce; but the court said, with no little force, that it could hardly be contended that a bill in equity on an ordinary tort (for example) could be supported simply because the complainant was conscientiously opposed to bringing a common-law action.

have, in the progress of society or of reform in the common law, become useless. On the other hand, growth in various directions has constantly been, and still is, taking place. In concluding our examination of the principles of equity it is important to bear this fact in mind. It is important to recollect that the creative capacity of equity jurisprudence has not only given birth, in the past, to the principles which compose it, but that this creative faculty still continues to be energetic and productive, and is, in modern times, constantly modifying old doctrines and inventing new ones.<sup>1</sup> The progressive capacity of this great branch of the law should always be borne in mind by every student and by every practitioner.

<sup>1</sup>The language of a distinguished equity judge upon this point may be appropriately quoted: "It must not be forgotten," said the late Sir George Jessel, M. R., "that the rules of the courts of equity are not, like the rules of common law, supposed to have been established from time immemorial. It is perfectly well known that they have been established from time to time—altered, improved, and refined from time to time. In many cases, we know the names of the chancellors who in-

vented them. No doubt they were invented for securing the better administration of justice, but still they were invented. . . . The doctrines (of equity) are progressive, refined, and improved; and if we want to know what the rules of equity are, we must look, of course, rather to the more modern, than to the more ancient cases." *In re Hallett's Estate* (Knatchbull v. Hallett), 13 Ch. D. 710. See, also, *The State v. The Ohio Oil Co.*, 150 Ind. 21.

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